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RENTS IN THE DISTRICT OF COLUMBIA

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON THE DISTRICT OF COLUMBIA UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

SECOND SESSION

ON

S. Res. 248

A RESOLUTION TO INVESTIGATE RENTAL CONDITIONS IN THE DISTRICT OF COLUMBIA

PART 1

JUNE 17, JULY 28, SEPTEMBER 9, AND NOVEMBER 10, 1932

PART 2

NOVEMBER 30, DECEMBER 1 AND 2, 1932

PART 3

DECEMBER 17, 20, 21, 23, 27, AND 29, 1932

Printed for the use of the Committee on the District of Columbia

UNITED STATES
GOVERNMENT PRINTING OFFICE
147897 WASHINGTON : 1933

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JULY 17 TO DECEMBER 29, 1932

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WASHINGTON : 1933

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RENTS IN THE DISTRICT OF COLUMBIA

(The hearing of June 17, 1932, which appears below, was held prior to the approval by the Senate of Senate Resolution 248, directing an inquiry into the rental situation in the District of Columbia. The record of the following hearing is included herein, however, because of its close relationship to subsequent proceedings under the resolution)

FRIDAY, JUNE 17, 1932

UNITED STATES SENATE,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The committee met, pursuant to call, at 2.30 o'clock p. m., in the committee room, Capitol, Senator Arthur Capper (presiding).

Present: Senators Capper (chairman), Austin, Kean, and King.

The CHAIRMAN. We have had a great deal of matter here on the subject of rents in the District of Columbia, which leads me to think it has brought quite a number of our people into this meeting.

As the members recall, we passed a resolution here a week ago on this subject.

Senator COPELAND. Do you find a great enthusiasm on the part of the landlords to lower rents?

The CHAIRMAN. No; we receive complaints that in some instances rates are being raised. I have several letters that rents are being increased, but also we get word from two or three rental agencies here that they are starting to seek reduction in rents.

Senator COPELAND. Are there any instances where they have contracts with tenants where they are voluntarily reducing rents in the contracts?

The CHAIRMAN. Well, here is a letter addressed to a tenant in the Corcoran Courts apartment by the Cafritz Co., which seems to be a mimeographed copy. It is our understanding that it is being generally sent to the tenants of that apartment house. The letter says:

> We are happy to inform you that a reduction has been made in the rental of your apartment.
>
> Kindly call to see the resident manager relative to signing a new lease, which will be necessary in order to avail yourself of an immediate reduction.

Senator COPELAND. What was it, 15 cents a month?

The CHAIRMAN. The tenant writes:

> Thinking the activities of this real estate concern may interest you, I am forwarding a notice which I am told was sent to all tenants of Corcoran Courts and the Miramar.
>
> The resident manager of Corcoran Courts told me this evening that apartments formerly carrying a rental of $87.50 had been reduced to $82.50 and the cheaper apartments had been reduced only $2.50 per month.
>
> In view of the legislation now pending, I do not think this is an adequate reduction.
>
> Thanking you for your interest in the welfare of Government employees, I am,
>
> Very truly yours,

Then here is another from 2724 Eleventh Street, a tenant who sends the notice she has just received from Boss & Phelps, which says:

We wish to advise that commencing June 18, the rent for the apartment which you now occupy will be increased to $45 per month.

We regret that this is necessary, but all of the front apartments are priced at $45 and for some inexplainable reason your apartment is at a lesser figure and is causing the others in the building to request a reduction which, under the existing schedule, is impossible at this time.

Then here is some information from 1121 New Hampshire Avenue NW., which says:

Recently the rental agents, the Munsey Trust Co., effected a 10 per cent reduction in the salaries of all employees connected with the building, but the rentals so far have not been reduced. Out of 88 apartments, there are now about eight vacancies, which is about the normal average.

Senator COPELAND. What excuse could there be in an apartment house to reduce salaries, if they make no reduction in the rent?

Senator KEAN. They want more money.

The CHAIRMAN. We put this up to the Attorney General, the Department of Justice, and we got this letter from Mr. John Lord O'Brian, the assistant to the Attorney General, in which he says:

Your letter of the 4th instant, forwarding a resolution of the Senate Committee on the District of Columbia calling attention to high rental charges obtaining in this city, and requesting that an inquiry be made to ascertain the facts relative to an alleged combination to increase and maintain rentals, has been received.

This department is now projecting an investigation of this subject, which will be instituted without any delay.

Here is a rather interesting letter from Mr. Boyd, of the Washington Herald, who has been making a study and survey of the situation, and has gone into it pretty thoroughly. He writes me this memorandum, based on what he has found, in which he says:

The present rent level is due, to a substantial extent, to the inflation of values that set in immediately following the war and that was aggravated by unsound financing and, to some extent at least, criminal practices, in the following years, culminating in the Wardman and F. H. Smith Co. scandals.

The District Committee sought again and again to check this development, as repeated investigations and reports witness. The most definite investigation and report concluded when Senator Ball, for the committee, submitted to the Senate, Sixty-eighth Congress, first session, Report No. 530, "Survey of housing and rental conditions in the District of Columbia," May 12, 1924.

This report reviewed transactions by the F. H. Smith Co., and gave an account of several properties later included in the Wardman offerings. The committee's conclusions were definite:

"If present practices are allowed to continue to operate it will be only a short time when all property, not only in the District of Columbia, but elsewhere, will be financed by this unscrupulous method" (p. 70).

The material in the possession of the committee was referred to the Department of Justice, which assigned an investigator. This investigator, Cleveland, I believe, made a report that was accepted by the department and the matter was whitewashed. The evil conditions disclosed by the committee continued to exist. The F. H. Smith Co. and others continued in business—or robbery—and in 1928 the Wardman Real Estate Properties (Inc.) sold an $11,000,000 bond issue to the public, based upon properties a number of which had been exposed as overcapitalized in 1924 by the committee, one of which was the Chastleton apartment building.

This issue was followed, two months later, by a second issue for $2,500,000. When the transaction was completed, it will be remembered, there had been issued "securities" to a total of $24,000,000 (p. 93, hearings, January 16, 1931, on S. 1332) against an assessed valuation of $17,000,000. It is not necessary to add that this Wardman venture is now bankrupt and the public has lost a substantial part of the $24,000,000.

This is, of course, only one of a number of almost equally outrageous promotions that took place during and after the time of the investigation and reports by the District Committee. It is safe to say that had the Department of Justice acted promptly and vigorously upon the information referred to it by the committee in 1924, Report No. 530, this Wardman promotion could never been effected and the public would have been saved its heavy loss from this and other issues based upon the operations of promoters in the District of Columbia.

Why did the Department of Justice fail to act in 1924?

Why did it allow conditions to mushroom and finally collapse as in the cases of Wardman and Smith promotions?

The material was placed in the hands of the department. "The Senate called upon the department to act to prevent fraud such as was clearly indicated, but the department refrained.

Why was its hand paralyzed? Why did it permit a situation to arise for which the Government itself, in the circumstances, must be held responsible, since the Government, through the department, could and should have acted, but refrained from doing so?

A grave responsibility rests upon the Department of Justice. This committee, the Congress, did its utmost to protect the public. And yet the public has been victimized.

It is clearly incumbent upon the department, in connection with the present investigation into the rental situation in the District of Columbia, to explain to the public through the Congress and this committee, the reasons for its failure to act in 1924 and subsequent years.

It is asked that the Department of Justice submit to the committee a statement of its reasons for failing to act, together with such documents and other matter as will make the reasons clear. It is asked, also, that the Attorney General send before the committee for interrogation such members of the department's staff as have knowledge of these matters.

He also submits another memorandum, in which he says that—

It is a relatively simple matter for the District Commissioners to secure for the committee a statement of vacant dwelling houses, apartments, and stores in the District of Columbia at this time. There is known to be a large number of such premises and publicity for the situation can be used in two ways:

It will demonstrate that the large numbers of vacant premises are being financed either by reason of the extortionate rents exacted for the occupied premises, or they are being financed by other means and for another purpose. This other purpose is to maintain a high book rental value for the properties upon which is based the justification for their inflated values. If this turns out to be the case it is prima facie evidence of a conspiracy.

If publicity is given the fact of a heavy vacancy list it helps to create an informed and intelligently directed hostile public opinion in face of which it becomes increasingly difficult for real estate interests to maintain high rents.

It is suggested the commissioners, through the various offices, submit to the committee as complete a statement as possible of vacant premises with classification of apartments and dwellings renting annually for $300, $375, $500, and $625 a year with a statement of the number of rooms and facilities offered at such rentals. If the information is not available prior to the pending recess, it should be given to the press for publication at the earliest possible date and submitted, amended, up to date, to the committee immediately upon the next meeting of the Congress.

He also goes on to say that—

It would be helpful in the situation if a request is made by the committee' addressed to the leading rental agencies of the District for lists of apartment houses operated by them, setting forth the number of vacant apartments in each, the sizes and the rentals, together with a note showing the taxes paid on each property, and the last sales price.

This information might be passed on to the assessor with the request that he add the assessed value in each case, and the cost of construction and ground cost.

The agencies could scarcely refuse this information and it brings them definitely into the foreground.

As to the questions of last sales price, actual cost and taxes paid, this relates to the peculiar nature of the District. It will be remembered that prior to the inflation investment in real estate here was predicated upon the singular stability

of the city resulting from its large population of Government employees, their regular employment, and steady pay. On this basis investors were satisfied they could afford to take a slightly larger element of risk than usual.

But this condition made impossible and spectacular inflation of values, such inflation being excluded by reason of the existence of the fundamental conditions prevailing. None the less, inflation took place and it becomes necessary for the real estate interest to show anything whatever to justify it.

The people of Washington are very much disturbed, especially the Government employees, who are going to have their pay reduced, or some sort of reduction, probably somewhere around 10 per cent.

Senator KEAN. There are a good many people sitting around here, Mr. Chairman, and I suppose they want to be heard on this.

Senator COPELAND. Just a minute, please.

Mr. Chairman, I know the magnitude of this job, because I have gone through it twice, once in New York and once when I first came into the Senate, about 10 years ago, when I was a member of the Joint Committee of the two Houses, and we made an investigation of this rental business, and we accomplished something.

We can not sit here and listen to complaints and get anywhere, because we know complaints will be made. There is not any question about the overcharging on the part of landlords, but it is a mere gesture for us to hear people. I think that what you ought to do, Mr. Chairman, is to appoint a subcommittee to investigate this problem and to formulate any legislation that may be needed. Now, it will take a long time, but, at the same time, we must not impose on the landlords, on the theory that they are all seeking to exploit the people. Of course, some are honest; but it is a tremendous job. Of course, we will get nowhere, if we simply listen to a lot of unhappy people, because we know now that they are unhappy, but if we had a subcommittee which would go into the matter thoroughly and prepare legislation, we can get somewhere, or at least we can let these landlords know there is a God in Israel; and to correct the evil, if one exists.

We could listen here, I know, just as the joint committee did, and we met day and night for a month and had a session every night, but we will not get anywhere unless we do it in a spirit of the desire actually to formulate remedial legislation.

Here there are five of us out of the committee of 15. Perhaps the next time we meet there will be a different group from this particular one.

Now, my judgment is that the thing to do is to appoint a subcommittee with the intention of actually bringing about a solution of this problem. I would be glad to sit here all afternoon and listen to what I know now about how unhappy they are and how they have been overcharged. We have got to do something. We are going to reduce the salaries of thousands and thousands of employees of the Government, and if these landlords are charging rents which are excessive, they must be dealt with by the strong arm of the Government, and I think, in the District of Columbia, there is no doubt about the power to do it.

The CHAIRMAN. Mr. Bowie, the president of the Washington Real Estate Board, is here, and, while I do not think he has a very long statement to make, I think probably he has some suggestions or information that might be given.

STATEMENT OF J. F. M. BOWIE, REPRESENTING THE H. L. RUST CO. AND THE WASHINGTON REAL ESTATE BOARD

Mr. BOWIE. Mr. Chairman, my name is J. F. M. Bowie. I am president of the Washington Real Estate Board, and I am representing the H. L. Rust Co.

We have tendered to this committee all of the facilities at our command to assist it in this investigation.

Yesterday I had an interview with Mr. Hardy, of the Department of Justice, and we have opened the doors of our board, opened our minute books and our files, to the investigation they wish to make, which will give them all of the information that we have.

I am prepared to make some comments on the situation to-day, if you gentlemen would like to hear it.

The CHAIRMAN. What is the pleasure of the committee?

Senator KING. I would like to ask one question, and you may deal with it when you come to it if you care to, Mr. Bowie:

I have noticed that when commodity prices went down there seemed to be no inclination on the part of real-estate owners to reduce the rents, and on the inquiries which I have made—not recently, however—there seems to be a fixation of rentals and a uniformity of rentals, and there seems to be conspiracy—and I do not use the word offensively at all—an agreement upon the part of the real-estate men to maintain rentals; and they seem to prefer having one-half of their buildings rented at a high rate rather than to lower their rents. The rents are substantially the same now in apartment houses that they were years ago.

Mr. BOWIE. I will answer that, Senator, as I go along.

The Washington Real Estate Board, in November, 1931, made a survey of the apartments vacant in the District of Columbia. The total number of buildings included in this survey amounted to 856; and the number of apartment units included in that survey amounted to 22,638. According to the assessor of the District of Columbia there are 1,436 apartment houses in the District, containing 38,330 units. With 22,638 units reported upon, 59 per cent of the apartments in Washington was covered.

Senator KING. A unit would be one apartment?

Mr. BOWIE. One apartment; yes.

Senator KING. And an apartment might be 1 room or 10?

Mr. BOWIE. It might be any number of rooms. The result of that survey showed vacancies of 7.8 per cent in all size units.

It was interesting to note, however, the vacancies in the different size apartments: One room and bath, without kitchen, 6.5 per cent; 1 room, kitchen, and bath, 4.86 per cent; 2 rooms, kitchen, and bath, 7.98 per cent; 3 rooms, kitchen, and bath, 8.75 per cent; 4 rooms, kitchen and bath, and over, 14.89.

Now, in order to give you gentlemen an idea of what change has taken place only since November, I have to-day gotten approximately 11,000 units.

Senator COPELAND. What is the significance of this, why do you give them to us; what do they mean?

Mr. BOWIE. I am trying to explain the condition in the District of Columbia. It has been said that as many as 50 per cent of the apartments here are vacant and that landlords are holding and main-

taining those prices to hold the rents up. Now, we have, on these 11,000 units, that we have gathered together, the vacancies are 14.667 per cent.

Senator COPELAND. Twice as great as it was before?

Mr. BOWIE. Twice as great as it was in November.

Senator COPELAND. You mean by this that the high rents have driven the people out of the District?

Mr. BOWIE. They have driven them to live together, Senator. I was going to cover that in my talk here.

Senator COPELAND. It concentrated them, and they have gone into smaller units?

Mr. BOWIE. They have doubled up. The largest part of the vacancies, and the greatest difficulty a landlord has to-day, faces the man who owns large units in apartment houses. Those units are renting for half what could be gotten for them in normal times; and it is because the people who occupied those apartments—their incomes have been reduced to the point that they can not carry on.

Now, in our rental office, since last October, general reductions in rent have been made in the following buildings: Our own firm controls in the neighborhood of 65 apartment buildings in the District. These are all large buildings, and they are: Wakefield Hall, Somerset House, the Ambassador, the Ricardo, the Cameron——

The CHAIRMAN. What do you mean by a general reduction?

Mr. BOWIE. The apartments have been reduced.

The CHAIRMAN. In all of these you are not mentioning?

Mr. BOWIE. Yes; all of these I am enumerating.

Senator KEAN. How much?

Mr. BOWIE. The reduction varies.

Senator KEAN. One per cent?

Mr. BOWIE. In some cases they were cut considerably, and some are 10 to 15 per cent. In one case, there have been two reductions made since last October.

Senator COPELAND. You did not finish the list of the apartment houses.

Mr. BOWIE. The Maycroft, 1425 Chapin Street NW.; 2101 Connecticut Avenue; 2029 Connecticut Avenue; 1868 Columbia Road NW.; 1302 Eighteenth Street NW., two cuts; 2401 Calvert Street NW. the McKinley; the Cleveland.

We are proposing now to reduce the rents in two other buildings, 3701 Thirteenth Street NW. and Capitol Towers, Massachusetts Avenue. The latter is a building containing about 80 units.

Senator COPELAND. Do you have any on Sixteenth Street?

Mr. BOWIE. We have several of them.

Senator COPELAND. Have there been reductions in them?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Have you made reductions in spite of the fact that tenants have contracts with you?

Mr. BOWIE. Yes, sir.

Senator COPELAND. You paid no attention to the contract?

Mr. BOWIE. In cases, Senator, when we make these reductions, which we have done in several of these buildings that I have just enumerated, the people have had leases running until the 1st of next October, and they have been given the benefit of these reductions.

We feel, and we know, that it is unfair to offer an apartment that you have vacant and at the same time charge a tenant, who is under lease to you, a higher price.

Senator COPELAND. And you have taken that into consideration?

Mr. BOWIE. We invariably do that, Senator.

Senator COPELAND. Do you know 2400 Sixteenth Street?

Mr. BOWIE. Yes, sir; we formerly managed it, but we do not have anything to do with it now.

Senator COPELAND. 2440 Sixteenth Street?

Mr. BOWIE. No.

The CHAIRMAN. There has been no reduction there, according to the information that comes to me from tenants.

Mr. BOWIE. 2440 Sixteenth Street?

The CHAIRMAN. Yes.

Mr. BOWIE. My information, Senator, is that they have been substantially reduced.

The CHAIRMAN. I have gotten letters from tenants up there that they are paying the same now that they paid 8 and 10 years ago.

Mr. BOWIE. I have no knowledge of this, sir; but from what I can learn of this from persons who shop around, who go there and go to other buildings, I am told that they have been very substantially reduced. I do not know whether Senator King still lives there or not.

Senator KING. No; I never lived there.

Mr. BOWIE. 2400 Sixteenth Street?

Senator KING. No; I never lived there.

Senator COPELAND. Do you contend that you are entitled, in view of the investment you have, which has not changed, to get the same income from properties that you got 5 years ago or 10 years ago?

Mr. BOWIE. Senator, the supply and demand fixes the prices of apartments.

Senator COPELAND. Yes; I have heard that before.

Mr. BOWIE. Let me explain to you the method that is pursued with respect to prices that are charged for apartments:

When we discover that, in any particular building, the percentage of vacancy is increasing to such an extent that that becomes too large, the rents of those are immediately revised. They are being revised at the present time at a very rapid rate. For the last 60 days that has been our principal job—the revising of rates of apartments.

Senator COPELAND. Suppose you were in charge of 2400 Sixteenth Street, and every single apartment was occupied. According to the law of supply and demand, you are not called on to reduce?

Mr. BOWIE. No, sir.

Senator COPELAND. Whatever the economic condition of the country may be, the apartment is a popular place and you are not called on to make any change?

Mr. BOWIE. Senator, the people do not have to change in 2400 Sixteenth Street; we can offer them accommodations in other places at vastly reduced prices.

Senator COPELAND. Your idea or definition of your policy is, that if your building is occupied, that building will not have the benefit of any change in rents?

Mr. BOWIE. If a building is occupied, Senator, it is occupied because the rates are so low that it is satisfactory to the tenant.

Senator COPELAND. Your answer has not been quite responsive. That is your definite policy, is it, that if your building is fully occupied, the tenants occupying that building have no hope of a reduction in rent?

Mr. BOWIE. As a matter of public policy, we are not reducing them.

Senator COPELAND. I am not talking about public policy; I am talking about your private policy.

Mr. BOWIE. No, sir.

Senator COPELAND. You would not reduce them?

Mr. BOWIE. No, sir.

Senator COPELAND. I am very glad you have made that very positive statement.

Senator KING. Have not the landlords and property owners often, through your real-estate organization, or varied interests, agreed on rent?

Mr. BOWIE. No, sir.

Senator KING. That you would not reduce?

Mr. BOWIE. No, sir.

Senator KING. And fixed rents in reference to the part of the city in which the building was?

Mr. BOWIE. No, sir.

Senator KING. And has there not been more or less uniformity in your rents?

Mr. BOWIE. No, sir; there is free competition.

Senator KING. Your experience is different from my information.

Mr. BOWIE. Senator, free competition exists in the fixing of all rents. We realize that the man who does not have his prices right is going to have vacancies, and if he does not correct his vacancies, he is going to lose his property. It would be financial ruin for a man to attempt to maintain a high schedule of rents, with a high schedule of vacancies on his hands.

Senator COPELAND. Are you a lawyer?

Mr. BOWIE. No, sir.

Senator COPELAND. Does your Real Estate Board take the position we have no right as regards the authority of the District of Columbia to regulate rents?

Mr. BOWIE. The opinion of the counsel of our board is that no law that can be passed to-day would be valid.

Senator COPELAND. You take the same position in the District of Columbia that you take in the State of New York, and do not believe that the authorities of the District have any more authority over the District than the State of New York authorities have over the properties in that State?

Mr. BOWIE. I do not know what you mean, Senator, by that.

What I stated was, that in seeking the advice of counsel of the board it was his opinion that a valid law could not be passed at this time regulating rents in the District of Columbia. By that he means that it would be unconstitutional.

Senator COPELAND. Well, of course, I do not agree with that at all.

The CHAIRMAN. How does he explain the experiences we have had here under the Rent Commission for two years?

Mr. BOWIE. That decision was based upon the shortage that existed. There is a considerable surplus at the present time.

Senator COPELAND. The position you take, if you lived in New York, or Vermont, or New Jersey, you might sustain, but I think there is no question about the District of Columbia. I am not a lawyer, but I observed in my capacity as a member of this committee, when that matter was thoroughly threshed out, that there is not any doubt, at all, of the right of the authorities of the District of Columbia to regulate rent in this District.

There is not any doubt about that, in my mind; and so far as I am concerned, to-day, as one member of the committee, I want to serve notice on the real-estate interests of this community that, so far as my vote is concerned, it is on the side of making clear to the real-estate interests that they can not exploit the people of the District of Columbia.

Mr. BOWIE. Senator, we do not want to oppose you on that ground, that the act would not be constitutional. So far as our organization is concerned—the Washington Real Estate Board—we are here for the purpose of helping you in every way possible, and to tell you the true situation with reference to rents in the District.

Senator COPELAND. Now, you have told us that if there is a building here that is filled with people, then one that is vacant, the fact that this is filled is sufficient reason for you to maintain rates of rent that you have?

Mr. BOWIE. Yes.

Senator COPELAND. Because you do not care how these people may be inconvenienced and have to tear up their household goods and move them out into another building, where the prices are lower.

You have got to face, as far as I am concerned, the situation that the rents of this District here are too high, and must be reduced, regardless of whether your building is occupied or not occupied.

Mr. BOWIE. Senator, the rents in a building 100 per cent filled could not possibly be too high, because there are too many other apartments available to any man who thinks that he is being overcharged.

Senator COPELAND. Do you not know that many families would hesitate to tear up and move to a new district, or a new house, because of the inconvenience of it, because of the sentiment of it, because of the neighborhood, because of the friendships that have been formed, and so on?

Now, the law of supply and demand, which you talk about might justify the lower rent in another building; but by the law of honesty, you ought to lower the rents in this building, that is filled, to correspond to the other one.

Mr. BOWIE. Senator, if this building here was 100 per cent rented, and this building next door was empty, there would be a reason for it. The reason would be that these rents were proper, and that those rents were too high, if this building were properly run and the other one was not.

We have had the freest competition. We have had the largest number of apartments to select from; the supply is unlimited. We have approximately here a general vacancy of 15 per cent.

The CHAIRMAN. Why, then, have the rents fallen less in Washington than in any other city out of 44 cities that the Bureau of Labor Statistics has reports from?

Mr. BOWIE. I would like to answer your question in this way, Senator:

The Industrial Conference reports a general vacancy throughout the country or a trifle less than 19 per cent since 1929 and up to and including the past month. We have contributed to the information that has been given to the board—that is, our particular organization, not the real estate board, but the H. L. Rust Co., and quite a number of other individuals, and I yesterday wrote to them, and asked if they had separate information as to Washington, as I have no doubt they have, and asked them to send it on to us, to show what the reduction has been in Washington since 1929. When I get that I will be glad to give it to you.

Senator COPELAND. What is your attitude toward a tenant who now has a contract to live in your house until the 1st of next January, and that tenant is an employee of the Government, and has a material reduction in income, and feels under the necessity of having cheaper rent? Would you resist the effort of that employee to vacate or would you insist that the contract be carried out and the tenant stay until the 1st of January?

Mr. BOWIE. We, in each individual case, as agents, would present the matter to the owner of the property. We do not have authority to cancel or terminate leases.

Senator COPELAND. You have had some experience in the matter, have you not?

Mr. BOWIE. Quite a good deal.

Senator COPELAND. What do you do about it?

Mr. BOWIE. We have a list of people living in some of our buildings now, under contract until next October, who are not paying any rent, because they can not pay it, and there are some paying one-half rent. We are taking whatever they can pay in. These large, expensive apartments——

Senator KING. Do you give a receipt in full?

Mr. BOWIE. No, sir.

Senator KING. You are holding it over them?

Mr. BOWIE. They promise that, if things come back, they will pay us; we are cooperating with them.

Senator KING. There is no reduction, but a simple obligation——

Mr. BOWIE. They have contracts, Senator.

Senator KING. You are not reducing your rents, you are merely giving them credit involuntarily.

Mr. BOWIE. The people are willing to pay, if things come back, and we are permitting them to carry on in the hope that things will come back.

The CHAIRMAN. You said you had under your control at this time 65 apartment properties?

Mr. BOWIE. Approximately.

The CHAIRMAN. And you reduced the rent in all of then, generally, you say, about 8 per cent or 10 per cent?

Mr. BOWIE. I stated, sir, 14 apartments, with 2 that we are working on now.

The CHAIRMAN. How about the other 50?

Mr. BOWIE. The others, Senator, have been reduced; but not in their entirety. I am only giving you the buildings where the entire rent has been reduced. There have been many other cases, individual cases, where the reductions have been made, that I have not endeavored to enumerate to you.

You asked me the question a while ago, as to why the rents have not come down as commodity prices have, and I think I can explain that:

The cost of maintenance of apartment houses is practically the same as it was in 1929 and 1928. There has been very little or no reduction in the cost. Taxes have been on the increase. Interest rates are practically the same. Fuel costs approximately the same. Whatever saving you may have effected by reduction in the cost of wages of mechanics, and the prices of materials, has been more than overcome by the extra demands that tenants have made upon us, that we have been obliged to comply with, in order to keep our properties rented.

The CHAIRMAN. What extra demands? I do not understand what that would mean. They are not making any more demands now than they have made a year ago, or two years ago?

Mr. BOWIE. Very many more.

The CHAIRMAN. How is that?

Mr. BOWIE. They are able to make those demands, Senator, and we have to comply with those demands, but because of the large percentage of vacancies and the large field that they have to select from, we find it cheaper to accede to those unreasonable requests, than to have them move out.

During that period you have seen, and we have seen, the very great increase in the use of mechanical refrigeration. Prospects come into our office to-day and if we have not mechanical refrigeration in a building, they do not want it, and they do not want to look at it.

It is those extra costs that have added to the apartment-house operation that makes the operation cost practically the same as it was several years ago.

Now, as to the comparison to commodity prices, I would like to read a portion of an article here which may throw the light on the subject for you. The title of this is "Apartment House Rents versus Commodity Prices," and it says:

> To demonstrate that rents are different from commodity prices, let us contrast an apartment house financial set-up with that of a manufacturing plant: It is at once apparent that a manufacturing plant, which finds its income cut, can, in turn, reduce its costs, and an expense cut can be made to almost equal the drop in income. If a drop in income grows out of reduced prices, the manufacturer probably gets a compensating cut in the prices of his raw materials. He can also cut his wages. If the drop in income is the result of falling sales, he cuts his production, thus saving in both material and labor.

The CHAIRMAN. Now, tell me this: We all know about the high financing that has been going on for years, and, of course, there is before the public the knowledge that a great many of these properties have twice the actual cost of the building invested in them, or supposed to have been invested in them; how are the tenants going to have to pay rent on those expensive costs, in the way of bonds, fees, and first, second, and third mortgages?

Mr. BOWIE. They do not have to, Senator.

The CHAIRMAN. Yes; but they are.

Mr. BOWIE. They never have had to and——

The CHAIRMAN. Well, the rents are based on that.

Mr. BOWIE. They could go out now—if there was an excessive charge, Senator, they could go out and they could find other accommodations. They would not have to pay the interest on those, and other charges you speak of.

Senator COPELAND. I want to call the attention of you people to what the Constitution says: "Congress shall have power to exercise exclusive legislation in all cases whatsoever" referring to the District, and so forth, and there are plenty of cases to show the Government of the United States has absolute power in the District of Columbia. We have to have some place where our employees may live. It is conceivable that a landlord might make the rent so high that the Government would actually break down because of the inability of our employees to find decent places in which to live.

Mr. McChesney came on here from Chicago—he is the lawyer of the real-estate board—and argued this matter at great length before the committee; and there is not any doubt at all, because of the conclusions reached by eminent counsel, that we have that power.

Now, you might talk about this and that, about your investments, but this is a time when every single business man has to reduce, because he is not getting the revenue that he got before; the railroads are not getting the revenue, and the New York Central and the Pennsylvania Railroads have ceased paying dividends.

Now, the landlords of the District of Columbia must not think they are going to be exempt from the law of supply and demand, and from the economic situation which has come upon the country. There must be found some way to do this, and I know that it is the spirit of the committee's chairman, and, I believe, of the entire committee, to be insistent that there shall be cooperation on the part of the landlords; and you need not come here and talk about how many vacancies you have, or this, that, or the other thing. The main thing is that the people in this District are having their incomes cut, or will have their incomes cut, by 10 per cent; and whenever an employee has had his income cut 10 per cent, and says to the owner, or to the landlord, of the building, "I can not pay you as much as I did, and I must have a reduction of 10 per cent," you must meet the employee in that same spirit. Otherwise, I can promise that you are going to have more trouble than you have ever had before.

Mr. BOWIE. Senator, the last report of the Industrial Conference Board showed that the dollar was worth to-day 30 cents more than in 1929. In other words, the Government clerks here to-day in Washington can buy $1.30 worth of goods at——

Senator COPELAND. Except of rents. When it comes to rents, he pays just exactly the same; he is getting no benefit whatever from his rents.

Mr. BOWIE. Senator, I think the reductions we have made amount to something.

Senator COPELAND. They do not amount to much.

Senator KING. As a matter of fact, they do not pay more rent. The real-estate rents have been the same, and increased in some instances over what they were in 1917 and 1918 and 1919, when I first came to Washington.

Mr. BOWIE. Senator, I do not know of a single case, within the past two years, in all of the properties that we have, that we control—we do not own any—where rents have been raised.

The CHAIRMAN. I do not have in mind your company, but I have got any number of them here, and within the last 30 days, where there have been increases.

Senator COPELAND. I do not care whether they have been raised or not; the fact is, they must be lowered. That is the thing now.

The CHAIRMAN. You will admit we are going through a great period of deflation in this country, and the world over, with prices, generally, all along the line, lowered, and values breaking; and you mean to say that rents, one item of cost of living, will be excepted from this economic revolution that is going on here?

Mr. BOWIE. Senator, I say this: That the rents are coming down, and rents have come down for some time; and if things are left alone, it will adjust itself by that old principle of supply and demand, the same principle that controls the cost of any other commodity that the Government clerk uses.

Senator COPELAND. Just one-half of that is with us; we are the demand in this case. We are not going to wait until these people suffer, but we are going to anticipate it.

Senator KING. Mr. Witness, I am very much interested in what you say about the law of supply and demand; but the law of supply and demand is oftentimes prostrated by agreements, monopolistic agreements. As the result of such agreements, Congress passed the Sherman antitrust law to deal with monopolies and conspiracies in restraint of trade. I am not so sure that the real-estate men in Washington might not be amenable to the terms of the Sherman antitrust law if they got together to maintain prices, or to keep up prices, or agree upon rentals, or agree upon prices at which they would sell real estate.

I express no definite opinion, but I have the feeling, from the many complaints that have been brought to me from time to time, that the landlords and real-estate owners in Washington were in a good deal of conspiracy. Whenever the Government wants to buy a piece of property here, it is notorious that the Government is held up, and the jurors set the value that the Government has to pay at two or three times, often, the assessed valuation.

You go out and buy a piece of property, a piece of real estate here, and you will find that there is a sort of agreement among the real-estate owners and real-estate agents with respect to the prices of properties.

I do not think that the prices of real estate or the rentals in Washington have adjusted themselves as they have in other parts of the United States to meet the economic slump or economic depression.

I can not help but feel—and I hope I am wrong—that the real-estate men have had their dinners and their understandings and their agreements and arrangements, secret or otherwise, for the maintenance of prices, and those agreements have entered into the fixing of prices for the sale of properties, as well as rents. I hope I am wrong in that.

Mr. BOWIE. Senator, if you can find any combination of real-estate brokers or owners that have gotten together, even at the dinner table, even at secret meetings, anywhere, at any time, I would say to this committee, go ahead and pass a law and lower the rents, if they find it to be a fact.

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Now, you have your Mr. Hardy, from the Department of Justice, with whom I spent an hour and a half yesterday, explaining the situation in Washington to him, to give him all of the information that I have in hand, and I invited him to go, or to send anyone, or as many as needed, to the office of the Washington Real Estate Board, and look through every file, every minute book, every record that we have, and see if he can find any evidence of any such combination.

For three weeks in 1923, when we were in the midst of this rent legislation—at that time there was a man from the Department of Justice in that office for that total period, and he could not find one iota of combination to hold up prices, or to affect prices.

Senator KEAN. Mr. Chairman, I do not know whether the gentleman realizes, but it is perfectly possible that we could put the apartment houses under the Public Utilities Commission, and that we could then have them revalued as to what they would cost to-day to rebuild, plus depreciation, and he would probably find that the rents would be cut in half.

Senator COPELAND. That is what is going to happen, if we do not get cooperation.

Mr. BOWIE. We are right here, ready to cooperate, Senator. Our organization is ready to help you and assist you in any way it can, but I can not do more than reiterate what I have already said, that rents are coming down, and we expect they will come down further.

Senator COPELAND. But you have already told us, in an apartment house that is fully occupied, you have no justification, in that particular house, in making any adjustment in the rents; and if the people are not satisfied, let them go somewhere else.

Mr. BOWIE. Absolutely, Senator; it could not possibly be anything else, with all the opportunities they have to go to other places.

Senator COPELAND. That is, you have no intention, no thought, there is no breath of suspicion in your mind, that you may have to reduce your rents on those properties that are now full?

Mr. BOWIE. If a house is full, Senator; no.

Senator COPELAND. That is your conclusion, is it? That is your answer?

Mr. BOWIE. That is our answer; yes, sir.

Senator KING. Senator, I think perhaps this factor ought to be taken into account:

The witness has indicated that a great many people feel about apartments just like they do about cars, that when a new model comes out, even though the old automobile is pretty good, they want to get rid of it and have a new automobile. There are a lot of people who have been living in houses that are reasonably comfortable, but a house across the street, or in some other part of the city, puts in refrigeration, or better elevators, or anything a little more pretentious on the outside, and they want to get into that house, and they leave, or want to leave, the old houses which they have occupied, and go into more pretentious ones, where they have more modern conveniences; and the result is that those newer houses, with the more modern conveniences, with refrigeration, mechanical refrigeration, and so on, have much higher rents than the others, but, notwithstanding that fact, the people go there and fill those houses, because there is a demand for them, and a lesser demand for the other houses in which they have been content in the past to live.

Senator KEAN. Let me tell you how it works. A man builds a new apartment house, and if he has had another apartment house to rent, he says to all of the old tenants that he has: "Here is a chance to get in the new apartment house, and while the rent is a little higher, we will give you a month's free rent, for the cost of moving."

Mr. BOWIE. It is the reverse that has sprung up, Senator, due to the fact that the tenant has been able to demand and exact it of landlords.

Senator KING. I did not know that. I would like to ask you a question. What number of apartment rooms, or two or three rooms, of——

Senator COPELAND. Units.

Senator KING. Yes—are there in the houses that are not apartment houses, but some of the old houses that have gotten too large, and somebody would rent rooms in those buildings—do they come in the category that you have enumerated here?

Mr. BOWIE. I would not take the small ones; no, sir. If they were sufficiently large——

Senator KING. They would come under the rule——

Mr. BOWIE. They would have to comply with the building regulations.

Senator KING. Going through the town here, you will frequently see in these residences notices in the windows "Rooms for rent," and you can read the advertisements, and you will fine one and two rooms in residences for rent at suitable prices. Sometimes the families will get a little smaller, some of the children marry, and that leaves two or three rooms that would be available for rent, and they are rented.

Now, do you count those as units that you have there?

Mr. BOWIE. No, sir; that would be termed as a rooming house.

Senator KING. How do the rents compare in those rooming houses with the apartment houses?

Mr. BOWIE. They would be very much cheaper, of course, than apartment houses—the rooms would be cheap in those apartment houses, but they are usually rented furnished, Senator, when the landlady furnishes the bedding and linen and that sort of thing, and takes care of the cleaning up of the place, and furnishes such service as that.

Senator COPELAND. Mr. Chairman, have you got authority already for the committee to expend money in investigating this matter?

The CHAIRMAN. No, we have not; except as we might have hearings in the committee room. We have not the authority to employ assistants——

Senator COPELAND. Not such as the Banking Committee had to go on with its investigation?

The CHAIRMAN. No; we would have to get the resolution through.

Senator KING. We have interrupted the witness so much, I think he should have a full opportunity to make his statement complete.

The CHAIRMAN. Here is one suggestion that comes to the committee, that Mr. Bowie will be especially interested in, because it has to do with the real estate business:

It would be helpful in the situation if a request is made by the committee, directed to the leading rental agencies in the District, for a list of apartment houses operated by them, setting forth the number of vacant apartments, the size of the apartments, and showing the taxes paid on each property, and the last

selling price. This information might be passed on to the assessor, with the request that he add the assessed value in each case, and the cost of construction and ground cost—

And so forth.

Now, one of the main factors is the fact that this city has been exploited by a lot of——

Senator COPELAND. Gangsters.

Senator KING. Racketeers.

The CHAIRMAN. They have these first, second, and third trusts and pay as much as 20 per cent interest on the third trust, and now they are making the tenants, Government employees and others, pay that rental that will justify that kind of game.

Mr. BOWIE. Senator, that was all eliminated several years ago.

The CHAIRMAN. Oh, no, no; your rents in these apartments are the same now as they were 10 years ago.

Mr. BOWIE. I beg your pardon. I thought you had reference to financing such as third trusts and fourth trusts. That does not exist to-day.

The CHAIRMAN. It may not be quite as bad as it was a few years ago, but it has been going on.

Senator COPELAND. Our legislature in New York declared that housing is a matter of public interest, and I think that conditions during the war and following the war justified that theory. I think the President of the United States has recently said that this economic depression is second to only one, and I think one of the Justices of the Supreme Court made the same point. There is not any doubt in my mind that the rental of houses is clothed with a public interest, and I have no question at all of our right to interfere in the matter.

Now, we ought not to have to do that. We ought to get the cooperation from the landlords of the District, so that it would not be necessary for us to have to evoke our power; but it is going to be a serious matter next year, when these employees have been cut, as they will be, and we can not disregard it, and we will not attempt to disregard it. I think that these real-estate men ought to take this matter very seriously. I have no doubt that the witness does, but this must be dealt with effectively, and not be simply spasmodic, something that we are going to do to-day and forget to-morrow.

I think that next winter is going to be the worst winter the country has ever seen. I do not know how much it will be felt in Washington; perhaps not as much as in other places; but we must anticipate what is coming and be ready for it, and the landlords must not think they are going to be able to make as much money as they have in prosperous times.

My income has been reduced, as that of any other man, and I have had to accept it. I am not speaking now about salary, but I mean ordinary income; and you owners of property in the District of Columbia must not think they are going to be immune from the effect of the present economic depression, but they have got to meet it, and they are not going to be permitted to hide behind the law of supply and demand. We have conditions here which we are responsible for.

That is the thing I wanted to say, in all seriousness, to you, Mr. Witness, to convey from one member of the committee exactly how I feel about it.

Mr. BOWIE. I understand you, Senator.

Senator COPELAND. And we expect to have cooperation from the real-estate people of this city, and not have them hiding behind contracts or occupancies or the laws of supply and demand, or any other matter.

It is a practical thing, it is a practical condition that confronts us, and it must be dealt with, and dealt with effectively; otherwise there will be distress here and rioting, just as we will have it elsewhere.

Senator KING. Is it not a fact that your residence and business property prices are higher to-day than they have ever been?

Mr. BOWIE. No, sir; they are less to-day, very much less, than they have ever been since prior to the war.

Senator KING. Is that true of all property?

Mr. BOWIE. Business property, yes; you can not get the price to-day.

Senator COPELAND. Are not you getting prices, however, in many of these houses, that you had prior to the war?

Mr. BOWIE. We are getting a price for them, but in answering Senator King's question I assumed him to mean that, if we had a house for rent, or a piece of business property for rent, we could not get as much to-day as we formerly got. We have had to take substantial reductions.

Senator KEAN. What do you mean by "formerly"?

Mr. BOWIE. Within the last two years. There are pieces of business property in this city for rent that we can not get any price for.

Senator COPELAND. Are the real estate values what they were formerly? For instance, take an apartment house on Sixteenth Street—is its selling value to-day as high as it was two years ago?

Mr. BOWIE. There is no sale value to-day, Senator; you can not sell an apartment house to-day, for money.

Senator KING. If you were going to buy a house, or buy a residence, prices are quoted just as high as they were 5 years ago or 10 years ago?

Mr. BOWIE. I will have to disagree on that point, Senator.

Senator KING. I hope I am wrong.

Mr. BOWIE. You are, sir.

Senator KING. I shall not be offended if you say I am wrong.

Mr. BOWIE. They are substantially less, from my information.

Senator KEAN. The asking price seems to be the same. So I have noticed.

Mr. BOWIE. The cost of construction is about 30 per cent less, now. It is a fact that the price of real estate is less. I bought a home in 1927 that stood me $50,000, and I had an offer, last summer, unsolicited, of $40,000 for it, and I am greatly disappointed to-day that I did not take it.

Senator COPELAND. But if you were renting that property, you would expect the same rent you would when its value was $50,000?

Mr. BOWIE. Senator, if I rented it to-day, I could not get a return of 2 per cent on what the property cost me.

Senator KEAN. That may be, but if we put you under the public utilities commission, at what are you going to value the property? They are going to value the property at what it is worth to-day, and allow you something for what you paid for it, but the value that it would have on a reproduction basis to-day, less depreciation.

Mr. BOWIE. That is what fixes the value of the property to-day, largely, Senator. What you can reproduce it for. You can not go out and sell a piece of property for more than it can be reproduced for. The chances are that you will sell it for a great deal less.

Senator KING. You mentioned something a moment ago that is very interesting to me. Here several years ago, when Mr. Hoover was Secretary of Commerce, there were complaints made to me about your second and third trusts, and so on, and the evidence was mountain high that persons who, for instance, borrowed, say, $1,000 or $5,000 or $10,000, and gave a first trust, and they would lack $2,000 or $3,000 or more to complete the building and give a second trust, when they gave that second trust they would only get about 60 per cent or 70 per cent of the face value of it; if there was a third trust, they would get as low as 30 per cent or 40 per cent.

I called a meeting of the commissioners on that, and Secretary Hoover was there, and a committee was appointed of real estate men and others to take charge of that matter and to eliminate that evil. The real-estate agencies here were so powerful that the committee ceased to function, and all of my efforts to eliminate that evil proved abortive.

Mr. BOWIE. Senator, I will say they were not legitimate transactions, but I do say that to-day we do not have any such transactions.

Senator KING. I am glad to know that, because I think some of them were fraudulent and were impositions on the public.

Mr. BOWIE. Yes. Some of those men that imposed it are now in jail, where they belong. I have only one more thought, Senator.

The CHAIRMAN. The trouble is that these Government employees, who are renting apartment houses that were financed in that way, are still paying rent on that basis and assuming the burden of those second and third trusts.

Mr. BOWIE. Senator, I beg to differ with you there, sir.

Really, with all of the opportunities for them to go elsewhere, and the competition that we have had, they could not possibly be required to pay interest on the exorbitant loans or the inflated loans, second and third trusts, such as you mention. The door has been opened wide for them to go anywhere they please.

The CHAIRMAN. If they have not left, they can not go where they please.

Senator COPELAND. Let us take 2400 Sixteenth Street.

I never lived there, but I have known a lot of people who do. Do you believe that you are justified to-day—we will assume that the same tenants are there who have been there the past 10 years—do you believe you are justified in charging the same rentals that you did 5 or 6 or 7 years ago on that property?

Mr. BOWIE. Senator, I say that the owners of 2400 Sixteenth Street would be justified in charging what they could get. Now, 2400 Sixteenth Street is not a true example of the apartment situation.

Senator COPELAND. We are only using it as an example, but you can take any other house.

Mr. BOWIE. That is a place where people of means live, and have always lived; it is one of our best and most expensive apartment houses.

Senator KEAN. What are the rentals there?

Mr. BOWIE. We do not have that, Senator.

The CHAIRMAN. I will tell you of one instance, where one man complained to me, and he says:

"I believe that the rent charged for my apartment here is unreasonably high; exorbitant. As you will gather from my letter to Mr. Brown (copy is hereto attached) I paid during the boom years of 1928 and 1929, $250 per month. It was not until last October that any concession was made, when a reduction of 4 per cent, or $10 per month, was allowed; since then—October, 1931—I have paid $240 per month. And that is too much. In gold dollars of 1928 it amounts to $320, showing an actual increase in rental.

The apartment is a housekeeping apartment and consists of a kitchen, a pantry, both of which are rather small, a dining room, a living room, and two small bedrooms. It is situated on the fifth floor, in the southeast corner of the building, and it faces south and east, and it overlooks Meridian Park.

And he goes on and names others who are paying even higher rents than he is.

Mr. BOWIE. Senator, I would like to have his name. I would like to offer him some of the apartments that we have.

Senator COPELAND. Have you had any meeting of your real-estate board since this little agitation?

Mr. BOWIE. The last general meeting of our real-estate board was on the 23d of April.

Senator COPELAND. Have you got an executive committee?

Mr. BOWIE. Yes, sir; we have an executive committee and a board of directors which meets each month.

Senator COPELAND. Have you had any discussion in any of your official bodies of this discussion of ours?

Mr. BOWIE. No discussion, except as to making reply to it, and we decided that we would not.

Senator COPELAND. Would not make a reply?

Mr. BOWIE. That we would not make a reply.

Senator COPELAND. To stand pat?

Mr. BOWIE. To say nothing; and I am only here to-day on the special invitation of the committee..

Senator COPELAND. We enjoy your visit.

Mr. BOWIE. There is just one more statement I would like to make, and it is that, so far as H. L. Rust Co. is concerned, and I believe it is generally true throughout the city, that there have been no reductions in the salaries of the employees in apartment houses. For the most part, the employees are colored people, whose wages have always been small, because they have depended upon tips and gratuities that are given to them by the occupants of the house, and for that reason they have been satisfied with small salaries. Those salaries have not been reduced.

Senator COPELAND. You may report to your board that you made an excellent witness and supported their contention nobly.

Mr. BOWIE. Thank you, sir.

The CHAIRMAN. Mr. Brinkman, can you throw any light on this matter?

As you remember, Mr. Brinkman was at one time clerk of this committee.

STATEMENT OF O. H. BRINKMAN

Mr. BRINKMAN. I was asked to come down here by the chairman of the committee.

The CHAIRMAN. Mr. Brinkman, I might say, has given a great deal of study to this problem and to some of the background that has, I think, a very important bearing on the problem.

Mr. BRINKMAN. I would like to say a word as a lawyer on what Senator Copeland has suggested, that this Congress has the power to regulate the rentals. I do not think there can be any question of that, from a legal standpoint, in the exercise of the police power over the District of Columbia. It has the power in an emergency to regulate rentals, and there is an emergency, as proclaimed by the President.

Senator COPELAND. I am glad to have my legal opinion confirmed.

Mr. BRINKMAN. Justice Brandeis, of the Supreme Court, has already stated that it is an emergency equal to war time, and there can not be any question of the power of Congress to regulate the rents. That power was upheld during the war period and undoubtedly would be upheld now.

I want to say, as a practical matter, that this committee, if it takes any action, should take its own action. The real-estate men will be delighted if no action is taken before Congress adjourns, for the reason that they are perfectly willing to have the Department of Justice investigate the situation here. An investigation was conducted by the Department of Justice in 1924 and 1925. I have in my hand some photostatic copies of reports made by agents of the Department of Justice. One report is dated July 28, 1924, and J. William Cleveland, an agent of the Bureau of Investigation of the Department of Justice reported that he had interviewed two real-estate men—one of them a member of the board—and that he had asked them whether there was any combination of real-estate dealers, and they said there was not; and on going through the files of the Department of Justice, you will find that he went to the real-estate men and asked them if they had a combination, and they said "No," and the result was that there was no prosecution. At a subsequent time, however, that agent entered the employ of one of the prominent real-estate firms. The name of the firm whom he interviewed was Shannon & Luchs, one of the leading real-estate firms here. That is the sort of investigation that he made, and that is the sort of investigation that will probably be made again by the Department of Justice.

The CHAIRMAN. When was that?

Mr. BRINKMAN. That was in 1924 and 1925, approximately seven years ago.

The CHAIRMAN. That was about the time when——

Mr. BRINKMAN. Here is the proof of the sort of investigation that they made, and that is in the face of the fact that the Attorney General—Harlan Stone was Attorney General at that time, now a Justice of the Supreme Court—wrote a memorandum on November 7, 1924, stating that:

> It seems to me that a good many transactions in real estate financing have not been wholly free from criminality.

In other words, the Attorney General recognized that criminal acts were being conducted here by the real estate fraternity, and yet there

was no prosecution; and he made a report to the President of the United States, of which I have a copy.

Strong influence was brought to bear by the life insurance companies which lend money on these real properties through these real estate men, like the Rust Co., and other companies, here. The life insurance companies employ these agents here to lend their money, and these agents make commissions on the loans. The New York Life Insurance Co.—I have a letter on their letterhead that they wrote to an applicant here for a loan, and told him that the rent was regulated here, and they would not make any more loans on property here. That letter is right here and can be put in the record, if you want it.

So that pressure was brought to bear to stop the investigation, and it was stopped and there was no legislation.

Now, I have in an envelope here—and I give my word of honor to this committee that this is so, but I am not going to open this envelope—absolute proof, written proof, that there is a combination of real estate dealers for the purpose of eliminating competition among them. I do not intend to make this public, because I do not feel it would serve any useful purpose; but I do not want to put the real estate dealers here on guard, because they would cover up; unless there is some effective action taken to prosecute these men, I do not intend to make it public, because it will enable them to cover up, but I will make oath and give my word as an attorney that there is written absolute proof of a combination of real estate men here, to eliminate competition among them.

Now, it was brought out in Mr. Bowie's testimony that the effect of the depression has been to double the number of the vacancies here. There is no proof that there has been a movement of people away from here. What has happened is that the people have doubled up, and they have moved in smaller quarters, and two people occupy a house where only one formerly lived, and have gone into apartments and sublet part of the apartment.

Now, you can go right up Sixteenth Street less than three blocks from the White House, and you will find the Racquet Club there, and if you will go back of that fine long residence street, you will find what is called Union Court, and there is a little group of houses occupied by negroes. These houses must have been constructed 50 or 60 years ago, and those houses have no modern facilities at all, and do not have gas lights or electric lights. They have outside toilets. In that alley there live prostitutes, bootleggers, and in the midst of all of that squalor, there live little children because their parents have been forced into places of that kind. They can not pay the rent anywhere else, and they are forced into that alley, because they can not pay rent anywhere else.

If you doubt it, you can go into the municipal court any day, into the landlord and tenant division, and you will find hundreds of people being evicted, put out, because they can not pay the rent; and that is the condition that exists, and a condition that is going to grow much worse, because, when you cut people's wages, they can not pay the rent they formerly paid. When you take 10 or 15 per cent from a man's income, he is going to have to reduce his standard of living, and he can not spend as much as he had, and it is going to have the effect of putting out of work girls in the stores, truck drivers, and others because of a lowering of purchasing power. Unless you decrease the rent, you will decrease the employment in stores and other places,

and that will throw a greater burden on everybody, and create a condition here that is intolerable.

Senator COPELAND. It is a question of public health and public morals.

Mr. BRINKMAN. You are right, Senator.

Now, let me point out another thing:

This real-estate agent here is one of the prominent ones, and he has testified that he has got 60 or 65 apartment houses, and we will say that he collects monthly, or even every two or three months, $100,000. On the present scale of rent, he will get 5 per cent commission on those collections, and he makes $5,000, if the rent is $100,000; but if the rent is $200,000, he gets $10,000 commission. It is natural that he is going to keep up those rents to the highest possible figure that he can, because it is to his interest; and he does not care whether there are foreclosures of these properties, or such as that, or if people can not keep up their interest payments. That does not mean anything to the agent, because, to refinance the property means that he gets another commission. When he puts on a second mortgage, on these properties, he makes 20 per cent or 30 per cent. That is not just a general statement, but I have the figures in my office, showing that some of these subsidiary companies of real-estate agencies get as much as 20 per cent or 30 per cent on second mortgage to-day; so, naturally, they are interested in keeping up the rent to the exclusion of everything else. They are not interested in the welfare of the people; but they are interested in making huge profits that enable them to occupy $50,000 homes.

Naturally, they do the most profitable business in Washington to-day, and it is the only business that is profitable. The merchants are not making money, but the landlords are making money.

To repeat, I think that if the tenants of this city get any relief, it will not be from the ordinary practices of the Department of Justice, unless some action is taken by this committee and Congress, that will go to the root of the matter and be honestly conducted, without let or hindrance.

Mr. BOWIE. Mr. Chairman, I am amazed that this gentleman comes here and impugns the integrity of the Department of Justice by his statement that they whitewashed the real-estate men back in 1924 and 1925, inasmuch as I have stated that I know of no such combination as he refers to exists here.

I would like to inquire about the procedure that permits that gentleman to keep that envelope in his pocket, if that is going to be permitted.

Mr. BRINKMAN. Certainly.

The CHAIRMAN. Nobody in this committee is going to get all of the facts connected with high rentals that are going on in the District of Columbia. Now, just how it will be done, or so far as Mr. Brinkman's information is concerned, it is for the committee to determine, but the facts are coming out as to what is going on here and who is responsible for these high rents that are being charged in the District of Columbia to-day, higher than they are in any other city of the United States.

Senator COPELAND. Mr. Chairman, would it be agreeable to you if I were to move that you, at your convenience, within a day or two,

convene an executive meeting of the committee, and let us determine what policy we will pursue in this matter?

The CHAIRMAN. I think that will be very appropriate procedure.

Senator COPELAND. If that is agreeable, I will make the motion.

Senator KEAN. I second it.

Senator AUSTIN. I vote for it. I do not countenance, for a minute, any star-chamber performances which involve the accusations which have been made against the Department of Justice and against this bureau, and I want to announce that a man who will make charges like this last witness made, and walk out of here, saying that he has the proof in his pocket, and it is sealed up, and in an envelope, and that he intends to keep it sealed, should never have been permitted to speak here—make this public broadcast.

Mr. BRINKMAN. That information was given me confidentially, as an attorney.

Senator AUSTIN. Then you should keep it confidential, and not make it public.

Mr. BRINKMAN. I will substantiate those charges, with the permission of the person giving them.

Senator COPELAND. At the proper time, we can investigate that.

Senator AUSTIN. I am in full sympathy with the investigation, but I like to see fair play in every case.

Mr. BRINKMAN. I can say that the information is filed with the Department of Justice. If they will make an investigation, they will find the information.

Senator COPELAND. I renew my motion that, at the convenience of the chairman, he convene the committee in executive session.

The CHAIRMAN. If it is agreeable to the committee, that action will be taken. That will be all for to-day.

(Whereupon, the committee adjourned, subject to the call of the chairman.)

RENTS IN THE DISTRICT OF COLUMBIA

THURSDAY, JULY 28, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE
DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommitte met, at 2.30 o'clock p. m., in the committee room, Capitol, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (chairman), King, and Copeland.

The CHAIRMAN. The special subcommittee meets to-day, acting in accordance with the resolution adopted by the Senate, Senate Resolution 248, directing us to inquire into the rent situation in the District of Columbia, the committee having received a great many complaints as to exorbitant rentals that are being charged in the District, and the general belief that rents here are higher than they are in most cities under like conditions. There is a belief that there is some sort of an understanding among the agents or the owners of the various apartment houses in the District, so the committee, according to this resolution, is directed to make every effort to ascertain the facts as to the rental conditions in the District of Columbia, "as to vacancies, rents, construction, and any and all other matters pertinent to the inquiry, including financing of apartment houses and dwelling houses for sale or rent in the said District."

The subcommittee, upon discovering in the course of its inquiry evidence of any criminal action, shall promptly communicate such evidence to the proper authorities for prosecution.

The committee is to make a final report of its investigation, with recommendations, to the Senate, not later than December 15, 1932. That is the second week of the next Congress.

I will ask the reporter to put the resolution in the record.

(The resolution is as follows:)

[S. Res. 248, Seventy-second Congress first session]

Whereas, despite a precipitate decline in the prices of practically all commodities throughout the United States and within the District of Columbia, there has been no appreciable decrease in rents in the District of Columbia; and

Whereas, although the incomes of thousands of District residents have been seriously impaired through the present economic condition, the public of the District is paying high rents based upon inflated and fictitious values of rental properties; and

Whereas the Committee on the District of Columbia, in considering the rental situation in the District, has received charges to the effect that rents are being artificially maintained at a high level, and that, in numerous cases, rents have recently been increased, while wages of employees of apartment houses have been reduced; and

Whereas the Committee on the District of Columbia believes the health and general welfare of the people of the said District to be imperiled by the exorbitant demands of landlords, and believes also that an investigation of rental and related conditions in the said District is necessary to furnish the Senate with information

to serve as a basis for such legislation as may be deemed requisite to protect the health and welfare of the public of the District: Therefore be it

Resolved, That the Committee on the District of Columbia or a duly authorized subcommittee thereof, be directed to investigate any and all conditions affecting rentals and rental properties in the District.

The committee or subcommittee shall make every effort to ascertain the facts as to the rental conditions in the District of Columbia, as to vacancies, rents, construction, and any and all other matters pertinent to the inquiry, including financing of apartment houses and dwelling houses for sale or rent in the said District. The committee or subcommittee, upon discovering in the course of its inquiry evidence of any criminal action, shall promptly communicate such evidence to the proper authorities for prosecution.

The committee or subcommittee shall make a final report of its investigation, with recommendations, to the Senate not later than December 15, 1932. For the purposes of this resolution the committee or subcommittee is authorized to avail itself of the services of all agencies of the Federal and District Governments in the District of Columbia; to hold hearings and to sit and act at such times and places as it deems advisable; to employ such assistance as it deems necessary; to require by subpœna or otherwise the attendance of witnesses and the production of books, papers, and documents; to administer oaths and to take testimony; and to make expenditures to be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee or subcommittee. The total of such expenditures shall not exceed $2,500.

The CHAIRMAN. We have received a great many letters, a great many petitions, and a great many protests.

Here is a bunch of petitions, for instance, signed by large numbers of tenants. One here, for instance, which is typical, is from the Alabama, located at 1015 N Street NW., signed by something like 60 of the tenants, and accompanied by this statement:

I wrote up the inclosed petition a short time ago and interviewed each tenant personally, whose signature is attached. Then, in order to be perfectly fair with the agents, I wrote to them and asked for a reduction in rent, thus giving them a chance to do this of their own accord. I am inclosing a copy of the letter that I sent to them. They replied, sending a letter to one of the telephone operators, who in turn, posted it in the hall for the tenants to read. Their reply was to the effect that they felt they had been more than generous to the tenants by installing the refrigerators.

A number of the tenants have asked personally to have a reduction in their rent, but were told it was out of the question to do so. I have asked about it twice this month myself, and did not get any satisfaction at all. They gave as an excuse the refrigerators and having to repair the elevators.

Refrigerators and elevators are a part of the regular equipment of apartments now, and because they have neglected to take care of them and waited until they were forced to do this in order to rent apartments that have been vacant over a year, I can not understand why, now that everyone else has had a reduction in their incomes, they should not take their share of the burden, the same as the rest. In view of the fact that Mr. Hagner stated in his article that was published in the paper that the rent had been reduced on all of his apartments. No one can expect elevators to last 26 years and do nothing to them. Another reason the refrigerators were installed at this time was to stall off any movement that might be made to ask for a reduction in rent.

Any consideration that you may give this petition, the tenants will be very grateful for.

The petition referred to and signed by the tenants of the Alabama Apartment House, reads as follows:

We, the tenants of the Alabama Apartment House, located at 1015 N Street NW., request that a substantial reduction of rents be made. Practically all of the tenants have had a reduction in their incomes, either from a cut in their salaries, which ranges from 8½ per cent to 50 per cent, or, from depreciation in the value of stocks. We feel that we are paying far too much for the location, neighborhood, depreciation of building, old-time equipment, plumbing, etc.

A number feel that they will have to move to less expensive quarters, unless they get a very substantial reduction in their rent. We are asking that such action may not be made necessary. Thanking you for the consideration of this problem and hoping that an immediate remedy may be forthcoming, we are, very respectfully, the tenants of the Alabama Apartment House.

Here is a protest signed by over 100 tenants.

Senator KING. What apartment house is that?

The CHAIRMAN. This is from the tenants of certain flats comprising that area that lies between West Virginia Avenue NE. and Montello Avenue NE., Oates Street NE., and Mount Olivet Road NE., and states:

Whereas, We the undersigned being tenants of certain flats comprising that area that lies between West Virginia Avenue NE., and Montello Avenue NE., Oates Street NE., and Mount Olivet Road NE., do file a protest through your respective office in regard to rent of same.

These flats consisting of two rooms, kitchen and bath, also back porch, range from $34 to $42, but they are unheated, consequently the tenants are obliged to spend nearly as much as they would for the upkeep of a 6-room house.

In view of the fact that wages are being cut as well as other economic conditions, we consider it only fair that your office will kindly investigate same.

Agents, B. F. Saul Co.

That protest is signed by over 100 tenants, and the agents for these apartments are the B. F. Saul Co.

Here is one from 3126 Sixteenth Street N.W., with a long list of signatures, which reads:

We, the undersigned are tenants of a building managed by you and located at 3126 Sixteenth Street NW. The building has four stories and contains 16 small, 2-room apartments. It is without elevator, lobby, or switchboard.

We as tenants having failed by individual request to obtain a reduction in rent commensurate with our reduced incomes do hereby demand that the rents listed below shall prevail for the various apartments.

We further agree that all rents falling due after this date or any now due, but not paid, shall be withheld pending your compliance with our demands.

We wish to call your attention to the fact that a copy of this letter will be forwarded to the rent investigation committee as will a certified copy of your reply.

In reply please address D. M. Hamilton, apartment No. 33.

That was a copy of their petition to the owners of the premises. They ask for a reduction of 10 per cent.

Senator KING. Where are those apartments?

The CHAIRMAN. 3126 Sixteenth Street.

Here is another petition from Capitol Towers, 208 Massachusetts Avenue NE. That is right over here on the other side of the Capitol and this petition bears quite a large number of signatures, and reads:

I have noted with great interest your commendable fight on the question of the rent and real-estate racket in the District of Columbia.

May I submit the following for your information?

I have lived at Capitol Towers, 208 Massachusetts Avenue, since September, 1929. I have a 1-room, kitchen, dinette, and bath apartment in the rear of the building on the seventh floor. My rent is now, and always has been, $57.50 per month plus charges for telephone service, electricity, and gas. Despite repeated appeals for a reduction in rent, no reduction or concession has been granted at any time. It has always been extremely difficult to obtain satisfaction in the matter of maintenance and repair. The claim has always been that the workmen are kept extremely busy—this in spite of the fact that the force here has been reduced at least one man who has hitherto taken care of cleaning the hall, etc., and also in utter disregard of the fact that there are millions of workmen idle.

In answer to pleas for service or reduction in rent we are told that they have no trouble whatsoever in renting. The H. L. Rust Co. are the people whom we deal with. The owners, or owner, seem to be shrouded in mystery.

There are upwards of 80 apartments in this building, about 90 per cent of which are occupied by Government workers, most of whom are employed at Capitol

Hill or the Government Printing Office. All of us have suffered one or more ways by the economy bill.

We feel that we are victims of the real-estate racket which holds sway at the present time and look forward to men of your caliber with the hope that you will eventually be instrumental in bringing us relief.

The undersigned, as well as myself, are all tenants in this building and are heartily in accord with the spirit of the above letter to more or less degrees. Not one of the signers has been granted a reduction or concession in rent.

Hoping the above information may assist you and your committee in establishing facts——

Senator COPELAND. I notice you read that not one of the signers had been granted a reduction or concession in rent. Does it state since when?

The CHAIRMAN. They do not say about how long that applies.

Here is a petition signed by a large number of tenants of the Wentworth Apartments at 707 Twentieth Street NW., which says:

The undersigned tenants of the Wentworth Apartments, 707 Twentieth Street NW., take this means of expressing to you their opinion that rents for the apartments in that building are at the present time so high as to be exorbitant. Present conditions, under which almost every family has been confronted with reduced income either in the form of salary cuts, loss of employment by members thereof or otherwise, are so well known as to make unnecessary their detailed recitation.

Prices are down as to everything we buy, with a resultant very substantial increase in the purchasing power of the dollar. This means, of course, that $60 to-day, measured by the purchases which it can make,is considerably more money than it was several years ago. In other words, if rent is maintained at the level of 1929 and previous years, the landlord, in effect, is receiving an increase in rent whereas all other economic factors have been subjected to decrease.

The records of the oldest tenants indicate that this building is approximately 17 years old. It has no elevator, no switchboard and, in fact, the only service which is furnished to tenants is that ordinarily furnished by a janitor, i. e., heat, hot water, and removal of refuse once daily. At the time the Wentworth was built, all the apartments, with the exception of Nos. 1 and 2, rented for $40 per month, these latter for $37.50. One of the undersigned, for instance, paid $40 a month from July, 1917, until August, 1920; $55 per month from August, 1920, to October, 1926; and $60 per month from October, 1926, to date.

Fairness would seem to compel a reduction in rent for these premises. It is our opinion, considering all factors, including the general depression, the increasing age of the building, the availablity of numerous more modern apartments, etc., that all apartments with the exception of Nos. 1 and 2 should again be placed on the basis of $40 per month ($37.50 for apartments 1 and 2), with an added charge of $2.50 per month for each apartment furnished with a Frigidaire. We seek collectively your sympathetic consideration of our problem.

We feel that such reduction should be effective as of June 1 and have all agreed that if no decision is communicated to us prior to that date we will defer payment of the rent for the month of June until we are in receipt of advice as to your intentions.

The letter accompanying that petition states:

In connection with the matter of rents charged in the District, I believe you will be interested in the attached copy of a petition which was signed by 100 per cent of the tenants of the building at the address given above and forwarded on May 10th to the owner and his agents. I call your particular attention to the third paragraph, which indicates how much this rent has been increased. I know these figures are accurate because they represent my own experience.

This petition was turned down on May 25th. While they will not give us a rent reduction, they promise to do any renovating that the tenants desire—in fact they have already done over all the halls completely—and have promised to put in electric refrigeration. We have been trying unsuccessfully for two years to get this electric refrigeration and had agreed to pay $2.50 extra per month for it. They now ask that, but in addition will not install it unless we sign a lease. I have given notice that I shall move on July 1. I think several other tenants have done likewise.

An interesting sidelight on this case is as follows: I was not at home when the agent came to notify the tenants of the refusal of the petition and to make all his promises as to what would be done. I heard from the other tenants the sort of story he told them and it was so interesting. I went to see him a few days later. The only reasons he gave me why our rent could not be reduced were:

1. That the owner had lost $6,000 through the previous agent, a man who is now dead; and
2. That rents had not come down.

He assured me in the most persuasive language he could muster that "if rents come down this fall," mine would be among the first, and that it would make no difference whether I had a lease at that time or not. I was intended to be greatly impressed with the fairness which he promised to extend to his tenants.

I thought I had built up a good case as to why rents in this particular building should be reduced. I still think so, because the merits of the case were not touched upon in any way in the reasons given me as to why I should continue to pay post-war rent with to-day's precious dollars.

If there is any further information you desire, I will be glad to furnish anything I can.

Here is another, with quite a long list of signatures, from 1433 New Jersey Avenue, so I could go on and read the list of complaints here without number.

Here is a complaint which says—this writer seems to have gone into it pretty thoroughly:

The real basis or foundation for the existing conditions can very easily be traced by you and your committee to the scandalous first mortgages or trusts placed by the great life insurance companies on apartment buildings here which have been erected since 1917—in many instances from one-quarter to one-half more than the actual or real value of the properties in question. I understand that laws of the States in which these companies were incorporated and in which their home or executive offices are located restrict real estate loans made by such companies—which may be paid in by policyholders—to not more than 60 per cent—in any case—of the actual value of the property, regardless of the price which may be asked for the property in question or the consideration named in deeds evidencing "wash" sales or transfers of title to same from one to another of the builders and promoters, etc., and that the District of Columbia has a high salaried insurance commissioner, with well paid assistants, whose duty it is to see to it that all insurance companies doing business in the District of Columbia keep within the law, etc.

It is a matter of common rumor and knowledge among informed realty operators and others that the great life insurance companies have appointed as their loan correspondents and business representatives here in the District promoters of the apartment buildings on which the outrageously high and excessive first mortgage or trust loans have been placed by the insurance companies in question; that in many instances the loan correspondent of the company making the excessive loan have made contracts with the owners of the property and applicants for the loan before the loan was granted by the insurance company, which bound the owner and applicant to employ the loan correspondent of the insurance company for the term of the loan, and in some cases for at least one year after maturity of same, as rental agent of the building in question, on a commission basis, and that the commission which the rental agent has received under such contracts amounts to from $10,000 to $12,000 per year. That despite payment of that annual tribute to promoters and loan correspondents the owners of the building have been compelled to employ and pay a resident manager, who really collects most of the rents and turns them over to the rental agent, and a full staff of other employees; that in addition to being rental agent of the building the promoter and rental agent, by terms of his aforesaid contract with the owner of the building and applicant for the loan, is also the purchasing agent for the building or property in question and thus has a good opportunity, at least, to make good additional "rake offs" by way of rebates on purchases made for the building.

As a result of the excessive first-mortgage loans placed on these apartment and hotel properties by the great life insurance companies, the tax assessor, in valuing the building and ground for tax purposes, naturally fixes the assessed value of the property in question at a figure far above its real market value, and the burden of providing money with which to meet the excessive interest, common and tax charges, is passed only by the owner or owners to the tenants of the building and extorted from them as rental charges for occupancy of the apartment or rooms. What chance is there of present owners of apartment and

hotel properties in Washington making any substantial reduction in the existing rental rate so long as the first mortgage 6 per cent bonds of such properties are being advertised in Washington newspapers and offered for sale at from 45 to 60 cents on the dollar. For further information with respect to the valuation placed on these properties by holders of first-mortgage bonds on same, search the files of the Washington Post, advertisements on financial pages thereof, for the past one or two years. You will find that according to the price at which the bonds are offered for sale the present holders of these first-mortgage securities must believe that the actual value of the properties covered by the bonds thus advertised for sale is about one-half of the amount of the first mortgage thereon.

Immediately after the World War many promoters, builders, and real estate agents here in Washington conducted an extensive propaganda campaign, by means of advertisements in newspapers and otherwise, designed to make inexperienced people and especially poorly paid Government clerks, believe that a destructive war in Europe, in which the United States was engaged and which saddled an additional or extraordinary burden of many billions of dollars upon the shoulders of American taxpayers, had more than doubled the value of real estate in the District of Columbia. They did succeed in making many inexperienced and poorly paid Government employees believe that monstrous falsehood, and inveigled them into contracts for the purchase of houses actually worth from three to five thousand dollars for from ten to fifteen thousand dollars and assume and agree to pay interest and principal of first mortgages or trusts which in many cases greatly exceeded the actual market value of the property. However, that is no excuse for the officers of the great life insurance companies, who are supposed to be experienced in matters of finance and value.

I think that you will find if you want rents reduced substantially in the District of Columbia you will have to induce or compel the great insurance companies, which now hold most of the first mortgages or trusts on Washington apartment and hotel properties, to cancel approximately one-half of the principal of same, or reduce them to not more than two-thirds of the actual market value of the respective properties involved, and then extend the balance for a period of 10 years. Otherwise, the insurance companies will eventually have to foreclose and bid the properties in, and in that case I do not believe they will be able to resell them for cash for more than two-thirds of the amount of the mortgage.

Here is a sample complaint from the Wisteria Mansions, 1101 Massachusetts Avenue:

Referring to my letter of May 4, I wish to correct the typographical error which reads $6 as the charge made by Wisteria Mansions for listing a tenant's name in the telephone directory. The charge is $3 a year—that is, $1.50 for each issue of the Directory. This is in addition to the $1 per month telephone service charge, of course.

On request, in June, of Mr. Liebman, International Building, owner or part owner of the above-referred-to apartment, for information as to possible reduction of rents, the reply was, "I don't think I'll reduce the rents. The Government gets a cut and then wants the rents reduced. It's a joke. I got a mortgage on that house; they don't reduce my mortgage. I don't think the rents will be cut, and I know the apartment you are in will not be cut, it can stand vacant—but it won't stand vacant." We have two rooms, kitchen, and bath, for which we pay $75 per month, with one month free rent.

Since the above conversation he has reduced the rent on most of the apartments—not ours—$2.50 per month, beginning July 1, and simultaneously cut the salaries of the help, which is the second cut most of them have had recently, besides one having been laid off, and the manager having been given a drastic reduction. The telephone operator who told me said she was cut $5 a month July 1. I do not know the amounts of the other cuts.

The attitude of the landlord that the matter is a "joke" impels me to write you, as I resent the implication that nothing need be done by property owners to meet a situation which presents a most serious problem for tenants, as I know you do also.

There are countless complaints of that character here, and they have been coming in every day, and the last week has brought, I think, more than at any time up to now.

Senator COPELAND. I may say I have had a lot of letters which I found in my mail when I came down this morning.

The CHAIRMAN. I should say in the last 30 days this committee has received very nearly 1,000 letters of complaint about rentals in the District of Columbia. As might be expected, they are largely from those who occupy the more modest and moderate priced apartments and do not come from the higher-ups so much, but from the tenants of apartments that rent from $50 up to $100. That is where the great majority of these complaints come from, and in going over this whole thing, I should say that at least 80 per cent are from Government employees, clerks, and others.

Senator COPELAND. That is, from persons who have had their wages reduced.

The CHAIRMAN. Yes; who have had their wages reduced.

Senator COPELAND. Is it your opinion, Mr. Chairman, that with the reduction of wages there has been a reduction also in the cost of foodstuffs and the essentials of life, without a corresponding reduction in the rentals?

The CHAIRMAN. My observation has been that the reduction in the cost of foodstuffs and of clothing and most of the other necessaries have been made within the last year—that is, there have been substantial reductions all along the line. Do you not find that so, Senator King?

Senator KING. Yes; wholesale and retail, generally, throughout the United States.

The CHAIRMAN. Until this agitation started here about 60 days ago, there had been practically no reductions in rentals, for several years, but this movement, which is centered around this committee, has resulted in some reductions being made, but practically all of them are to the extent of $2.50 a month.

Now, here is quite a number of letters from tenants, most of them Government clerks, who tell us that they have been notified that in response to their requests for reductions, they will be given a reduction of 5 per cent, beginning August 1. In the $50 apartments, that is $2.50 per month. Well, of course, that does not satisfy the great army of clerks that have been cut anywhere from $10 to $40 or $50 a month in their salaries.

Senator KING. Is that 5 per cent reduction only from month to month or is it for a year?

The CHAIRMAN. Well, many of the agents are requiring tenants to sign a lease for a year and the reduction is conditional upon their making a new lease and agreeing to stay at least a year.

Senator COPELAND. Well, assuming that there have been no reductions made in rentals, the landlords are the only members of society who have had no reduction in income. Everybody else has had a reduction. Everybody's income is reduced, even Senators having been reduced in their income and, of course, on private holdings the income has been materially reduced, but I judge from what you say, Mr. Chairman, that the landlords of property in Washington have not shared in the general depression which has affected the rest of the country.

The CHAIRMAN. I think that is correct.

Senator COPELAND. And then our mission is to determine whether that is the case or not, whether rentals are being held now at the figure that they were before the depression came on, and it is our mission, I take it, to decide whether or not there should be a material

reduction in prices charged for apartments in order that the landlords may share the misery that the rest of us enjoy. Is that right?

The CHAIRMAN. I think you are right, Senator.

Senator KING. Well, of course, our authority is found in the resolution which requires us to investigate any and all conditions affecting rents and rental properties in the District. It is very broad and comprehensive, the authority. I suggest, Mr. Chairman, that we hear any organizations, if those organizations have representatives here, and determine just what course we should pursue in regard to hearing this multitude who have crowded into this small room.

The CHAIRMAN. I think your suggestion is a good one, Senator; and, now, would anyone like to be heard? I think a brief statement ought to be all that is necessary to cover the ground, any information you have that you think would be worth while to this committee to help us get the correct line on the situation in the District.

A VOICE. Is it confined to representatives of organizations?

The CHAIRMAN. How is that?

Senator KING. I did not contemplate that in my suggestion, but, obviously, we can not hear everybody, and it seemed to me that where there is a community of interest that somebody might speak for those having the same interest.

The CHAIRMAN. Or, if there is anyone speaking for a large number of tenants in the same apartment, and knows the conditions as to that apartment and what their experience has been in the way of seeking reductions.

Senator KING. Yes.

Senator COPELAND. I think it ought to be made clear to these people who have come here that, of course, in one brief session of the committee it will be impossible to hear everybody who wants to be heard.

I served as a member of a similar committee in 1924 and 1925, and we had repeated hearings and heard a great many individuals, but if we could have to-day, as the chairman has suggested, a few statements from representatives of large groups, that would give us a beginning so that we could determine what to do.

Senator KING. Any special questions arising on any special rental feature of any particular significance might be taken up following the hearing with the representative of groups, if such there be here.

Senator CAPPER. I would particularly like to know if anyone has any information that would indicate that there is an understanding among the apartment-house owners or agents here by which they are attempting or undertaking to maintain higher rentals here; that they have agreed not to reduce rentals. That charge is frequently made in the letters we receive, but there is not very much in the way of actual data or evidence to support it. That is what we would like to have.

Senator KING. I take it, Mr. Chairman, too, that before we conclude there would have to be some testimony or some investigation as to the value of the properties as to which it is claimed the rentals are too high so that we would have some basis upon which to determine what would be a fair interest on the investment. It is not sufficient to show that the rates of transportation companies are certain figures. In the final hearing you have to determine the value of the properties and the cost of maintenance and taxes.

Senator COPELAND. Present-day value. Of course, we are going to give the landlords an opportunity to explain why they are engaging in these practices.

The CHAIRMAN. All right, then, with that general view of the situation, let us hear from some of you.

STATEMENT OF MRS. NELLIE D. DUNN

The CHAIRMAN. Will you please give your name to the reporter for the record?

Mrs. DUNN. My name is Mrs. Nellie D. Dunn.

The CHAIRMAN. Are you in the Government service?

Mrs. DUNN. I am employed in the Post Office Department.

Senator COPELAND. Have you had a reduction in salary?

Mrs. DUNN. My case, Senator, is a little unusual, and I do not think you will find a duplicate of it. When we found that we were having this reduction, several of us got together and agreed that we would write a letter to our rental agency asking for a reduction in rent, and would sign it jointly, and, speaking over the telephone, I talked to some and another lady called others and I suppose there was a little eavesdropping on the switchboard, so before this letter went out the manager of my apartment called me down to the office and she said, "I understand you are dissatisfied with your apartment," and she said also, "I understand that you are having prepared a letter to write to the rent commission regarding rents here." I said "No; that is a barefaced, deliberate lie." I said, "I don't mind telling you about it. A number of us have gotten together and are writing a letter to the rental office," and, I said, "The letter is on my desk and I would be very glad to have you see it."

She suggested, if I was not satisfied, that there were other apartments in Washington and I might find "something that suited me better." I passed it up and paid no attention to it.

Senator CAPPER. Are there a good many persons living in the apartment you are speaking about?

Mrs. DUNN. Yes; but I only approached a few that I knew were Government workers.

Senator KING. What was the apartment?

Mrs. DUNN. 1620 R Street. So, in the meantime, the letter was waiting for signatures and did not go out for several days. The night before last the letter was mailed to the rental agency and, in the meantime, when I came in from my office last night I received this letter from the rental agents. I was accused of being the instigator of the whole thing, of course, and the revenge is taken out on me.

Senator CAPPER. This letter is dated July 25, 1932, and is directed to Mrs. N. Dunn, 432 1620 R Street NW., Washington, D. C., and says:

> We understand that you are dissatisfied with your apartment, its equipment, etc. Under the circumstances we think it would be best for all concerned if you vacate your apartment at the expiration of your month.
>
> There are, of course, plenty of other apartments in the city that will suit you better.

Mrs. DUNN. The expiration of my month is Sunday.

Senator KING. What is the name of the apartment?

Mrs. DUNN. 1620 R Street.

Senator KING. How many are there in that apartment?

Mrs. DUNN. I really could not tell you. I think a hundred and some. We had 15 names on the letter that I sent them.

Senator COPELAND. Was this the letter you proposed to send?

Mrs. DUNN. That went out but these two letters crossed. In the meantime they knew this letter was on the way.

Senator COPELAND. You had better read this.

Senator CAPPER: This is a letter dated July 19, 1932, directed to Baskin & Co., 1424 K Street NW., Washington, D. C., and reads as follows:

> Congress has passed legislation to economize and, as you are aware, the Government employees' salaries have been reduced 8½ per cent. The income of many of your tenants has accordingly been reduced, and they are naturally taking steps to reduce their expenses.
>
> A large number of apartment-house owners in Washington have decreased their rental charges; many others have adopted schemes of one type or another to cut rents, at least, while the Government economy plan is in force.
>
> Feeling that you are interested in retaining tenants who would be compelled to seek other living quarters more in line with their present incomes, we are writing you for information concerning proposed changes in our rent charge.

Senator COPELAND. How long have you been in that house?

Mrs. DUNN. Four years, but not under the present management.

Senator COPELAND. Did you ever have any difficulty with the landlord?

Mrs. DUNN. No; the only thing—they speak of the equipment—about 10 days or 2 weeks ago I went to the office and reported a dangerous gas stove. About two years ago I had one experience and had a very serious accident to my eyes. So, when this stove got in the same condition I went to the office and reported it. They did not do any thing about it. I waited a week and could not use the stove, and consequently I went to the gas company and asked them to send a man up to fix the stove or see what was the matter with it. They speak about the equipment.

Senator COPELAND. The thing I want to find out is your relations have been pleasant with the landlord, and you have had no particular difficulty with him?

Mrs. DUNN. No.

Senator COPELAND. In other words, this letter which you have prepared to represent other tenants, that was the first and only real cause for any unhappiness on his part?

Mrs. DUNN. Yes; the first intimation I had that they wanted me to move out.

Senator KING. Have any others received similar letters?

Mrs. DUNN. No; they won't. The others have leases but I have no lease. I have been there four years.

Senator KING. Have the others made any representations looking to a reduction of the rent?

Mrs. DUNN. There were 15 people signed that letter.

Senator KING. Do you know whether any others of the tenants except those signers have made any efforts to get a reduction in rent?

Mrs. DUNN. I did not go outside. I just went to a few people I knew well, and then there were two other ladies, and a few of their intimate friends. I did not make a canvass of the house.

Senator KING. How many rooms do you have?

Mrs. DUNN. One room.

Senator KING. One room only and a bathroom?

Mrs. DUNN. One room, kitchen, and bath.

Senator KING. And what rent do you pay?

Mrs. DUNN. I am on the court, and paying $32.50, the same as four years ago when I moved in.

Senator COPELAND. Is there anybody here from Baskin & Co. We might as well find out now what they have to say about this. Are they represented here?

(No response.)

Senator COPELAND. All right. I just wanted to know if Baskin & Co. are represented here.

Mrs. DUNN. If they had written me and said, "Mrs. Dunn, you are getting your rent cheap and we can not reduce it any more," that is all well and good, and if I wanted to stay on I could, but I do not think that calls for a letter of eviction just because I had the temerity to join a crowd in asking for a reduction of rent.

Senator KING. Do you think $32.50 for the rooms you have is too much or too little?

Mrs. DUNN. I think it is plenty.

Senator KING. Are you complaining that the rent is too high?

Mrs. DUNN. I have made no complaint except just that to see if they wanted to reduce the rents. It is up to them. I have a right to ask and they have a right to refuse.

Senator KING. Judging from rents throughout the city, so far as you have had an opportunity to learn of them, would you say that that rent is fairly comparable with the rents paid for similar apartments in other parts of the city?

Mrs. DUNN. Well, understand me; I am paying $32.50, but there are others in the same apartments that are paying $37.50, owing to the fact that when the new people bought it they raised the rents on the other people and did not raise it on the old tenants. I do not question their right to refuse if they can not afford to do it, but I do question their right to ask me to move out on three days' notice. Of course, I know they can not do that. They have to give me 30 days.

Senator KING. You are one of the few then that has the advantage of a $32.50 rent?

Mrs. DUNN. Yes.

Senator KING. Most of them pay $37.50?

Mrs. DUNN. I understand they do. That is just hearsay. Everybody is afraid to tell what they pay, don't you know. As the landlady said to me the other afternoon, "Only two people in the whole apartment get their rent for $32.50." I said, "I don't know about that. I know of two." She said, "You and such and such a party." I said, "How about somebody else," and she said, "I forgot about him."

Senator KING. Who owns the building?

Mrs. DUNN. Baskin, I think.

Senator KING. I understood they were the agents.

Mrs. DUNN. I think they own it.

Senator COPELAND. Would you mind telling us how much salary you receive? You need not answer that if you do not care to.

Mrs. DUNN. $1,620; $135 a month. About $12 comes out of my salary on the pay cut and $5 on the retirement fund. In other words, I draw $120 to support myself and a 12-year-old child.

Senator COPELAND. But, in the scientific study of budgets, what is the amount set aside for rent, do you know?

Mrs. DUNN. I never studied budgets.

Senator COPELAND. Twenty-five per cent?

Mrs. DUNN. Twenty-five per cent, I would figure it.

Senator COPELAND. So, on your income, you ought not to pay over $30 a month for rent.

Mrs. DUNN. No.

Senator COPELAND. How much was your salary before the cut?

Mrs. DUNN. Well, I got the $135 before the cut. I actually draw $120 after the retirement, and so forth, is deducted.

Do you want the originals of my letters or a copy?

Senator CAPPER. Copies are all right for us.

Senator KING. They have already been read in the record and the testimony is sufficiently explanatory.

Mrs. DUNN. What makes me boil is the order to get out by Sunday.

Senator CAPPER. That is rather short notice.

Mrs. DUNN. I don't think I will be out.

Senator CAPPER. Thank you, Mrs. Dunn.

STATEMENT OF FULTON R. GORDON, 1427 I STREET NW., WASHINGTON, D. C.

Mr. GORDON. May I testify as an owner of houses?

Senator CAPPER. Are your tenants asking you for a reduction in rent?

Mr. GORDON. Yes.

Senator CAPPER. What is your full name?

Mr. GORDON. Fulton R. Gordon.

Senator CAPPER. And your address?

Mr. GORDON. 1427 I Street NW., Washington, D. C.

Senator COPELAND. Is that your residence or office?

Mr. GORDON. My office. My statement will be very brief. I can back it up with a sworn statement and the details. I took over 220 houses in my second-trust department during the depression.

Senator COPELAND. Did you take them over under your second trust?

Mr. GORDON. Yes: people just moved out of the buildings, abandoned them, gave them up.

Senator COPELAND. And you had to assume the first trusts and taxes?

Mr. GORDON. Taxes and insurance and everything.

Senator COPELAND. How many houses did you take over?

Mr. GORDON. Approximately 220.

Senator COPELAND. Separate houses?

Mr. GORDON. Separate houses; yes, sir.

Senator COPELAND. Where?

Mr. GORDON. Well, in the District and near-by Maryland and Virginia; mostly in the District.

Senator COPELAND. Are these individual houses?

Mr. GORDON. Yes, sir.

Senator KING. Were these row houses?

Mr. GORDON. No, sir; mostly detached. I have four in a row, but the others are all detached homes.

Senator KING. How did you happen to give a second trust on those buildings?

Mr. GORDON. Well, I am a land developer. I promoted Chevy Chase, D. C., and we had to furnish second trusts in order to promote the buildings. We wanted the place to grow up. It sort of grew on me before I knew it.

Senator KING. Who loaned the money on the first trusts?

Mr. GORDON. Building associations and private individuals. Those trusts were on there when I promoted the second trusts.

Senator KING. Well, had the buildings been completed?

Mr. GORDON. Well, most of them; a good many of them had to be completed. When the builders got through, they picked up their tools and walked off. The houses were very much damaged by vandals. We had a terrible time with that.

Senator KING. Where were the owners of the buildings?

Mr. GORDON. They walked off and left the houses on my hands, vacant. They just walked off.

Senator COPELAND. How much equity did they have in them?

Mr. GORDON. Well, if times were good they would have an equity above me of say 20 per cent, but when the depression comes, that is all wiped out and my second trust is all smashed to pieces.

Senator KING. When they picked up and marched off?

Mr. GORDON. Yes.

Senator KING. They abandoned their equity?

Mr. GORDON. Yes; you write them a letter and they do not answer; if you went to see them they would say they would not pay any more.

Senator KING. Did they leave the properties when there was only a first trust on the same?

Mr. GORDON. I had no experience like that; they were all second trusts.

Senator KING. Then, after the first trust had been executed, the owners borrowed money from you to complete their buildings?

Mr. GORDON. Or maybe a part of it. They owed money for ground, either a loan or paid for ground, both.

Senator KING. But, wherever you had a second trust subordinate to the first trust?

Mr. GORDON. Yes.

Senator KING. The first trust covered the ground plus the building?

Mr. GORDON. Well, the first trust was supposed to represent the cost of the building, just about, and nothing for the ground. Sometimes, a little less than the cost of the building.

Senator KING. What was the first trust generally upon those houses, or a house?

Mr. GORDON. Oh, about $8,000 apiece.

Senator KING. And, what was the second trust?

Mr. GORDON. Well, we will say $2,500 would be a fair average.

Senator KING. Then, there would be first and second trusts aggregating approximately $10,500 on each of those 220 houses?

Mr. GORDON. Yes, sir.

Senator KING. You loaned them approximately $2,500?

Mr. GORDON. Yes, sir.

Senator KING. And took a second trust?

Mr. GORDON. Yes, sir.

Senator KING. Now, when you loaned the money on the second trust——

Mr. GORDON. Yes, sir.

Senator KING. The owners of the property, subject to the first trust, were there on the ground and asserting their interest therein?

Mr. GORDON. Yes, sir.

Senator KING. And it was only after you had loaned the money on the second trust that some of them walked away and left?

Mr. GORDON. Yes; some were living in the houses. They just moved out on me or would not answer letters and said they would not pay.

Senator CAPPER. What interest rate did you get on the second trusts?

Mr. GORDON. 6 per cent; but I bought the notes for a discount.

Senator CAPPER. How much of a discount?

Mr. GORDON. 20 per cent.

Senator CAPPER. On $2,500 then you would only really put up $2,000?

Mr. GORDON. Yes; but a great many of those notes were for ground where no discount was taken off at all. We would just sell them the ground and they would pay us $500 or $300 down, and take a second trust for the balance and there would be no discount.

Senator KING. Most of the second trusts were for ground?

Mr. GORDON. One half of them about and the other half was where the man had finished his house and sold it and I would buy his notes and then he would build another house.

Senator CAPPER. This was all done through a developing company?

Mr. GORDON. Yes; but one leads into the other. A man buys a house and the first thing you know he has sold a house over here and wants to sell you those notes so that he can build another house. As long as things were selling, things were all right. Then, the original first mortgage would be probably $8,000.

Senator CAPPER. How much actual cash would pass there?

Mr. GORDON. All of it except 2 per cent off, probably.

Senator CAPPER. That was not discounted?

Mr. GORDON. About 2 per cent on the first trust. There is not supposed to be any risk there. The risk is great on the second trust. It was great enough for me to lose $500,000 in this transaction. That is how great the risk was. I can show you these houses and prove my statements. People say they are paying too much rent. They do not net me over 4 per cent, if that, and I am willing to turn them over for 50 years to any reliable corporation that would pay me 4 per cent.

Senator COPELAND. You say they do not net you over 4 per cent on actual money?

Mr. GORDON. No; they do not.

Senator COPELAND. What value do you place on the individual lots?

Mr. GORDON. At the true market value they were selling at, at the time that everybody was paying, they were, say, $2,500 for a lot. That is what they were selling for in this neighborhood.

Senator COPELAND. I served on the committee, Mr. Gordon, in 1924.

Mr. GORDON. Yes, sir.

Senator COPELAND. At that time, I think it was developed that you developed this Chevy Chase section?

Mr. GORDON. Yes, sir; Chevy Chase, D. C.

Senator COPELAND. And at that time the testimony showed that you bought that land for about $1,000 an acre.

Mr. GORDON. I will be glad to answer that, sir.

The cheapest piece I bought was $1,500 an acre. For the balance I paid up to $3,500 an acre, and I expended on it for grading and streets $6,000 an acre, approximately—sometimes more than that. That would make a cost in the neighborhood of $9,000 an acre, and then I had to donate back to the city about one-third for streets and alleys, so I paid approximately $9,000 for two-thirds of an acre, and I would not do it over again for the same profit.

Senator COPELAND. I have refreshed my memory from the record of 1924.

Mr. GORDON. Yes, sir.

Senator COPELAND. I find there that you purchased 99 acres for $99,000, $1,000 an acre.

Mr. GORDON. Let me think a minute. I will correct that. I had forgotten. I believe I did pay $1,000 an acre for that.

Senator COPELAND. And you sold those lots?

Mr. GORDON. That is where I spent the money for grading and streets and improvements.

Senator COPELAND. And you sold these lots at 43 cents a square foot, approximately, some a little less. That was $18,740.

Mr. GORDON. I beg your pardon. One-third goes back to the city. Then, the expense of selling, which is pretty heavy. The net profit on that property was not over 20 per cent and I had two to five years to wait for the money.

Senator COPELAND. You had interest on the money?

Mr. GORDON. Yes; but we had to pay interest. We had to borrow capital, too.

Senator COPELAND. You paid $1,000 an acre and sold it at $18,000 from which you deduct your expense.

Mr. GORDON. That calculation is erroneous because I did not make allowance for the streets and alleys. The profit is very small. A man does not get cash and you sell on five years' time.

Senator COPELAND. Do you dispute the figures?

Mr. GORDON. I dispute the fact that I got $18,000.

Senator COPELAND. You remember these figures, do you?

Mr. GORDON. Yes; I do.

Senator COPELAND. You dispute that there was a profit of $17,780 an acre?

Mr. GORDON. Absolutely.

Senator COPELAND. But, when you take out the $6,000 that you gave up for public improvement it would still leave, would it not——

Mr. GORDON. Well, one-third has to come off for streets and alleys. That we can not figure, Senator.

Senator KING. Then, you mentioned the selling agent.

Mr. GORDON. Then, the selling expenses. Then, the Government doubled the cost of sewer and water on me which made an additional expense of about $100,000.

Senator KING. On the tract of ground or on the lots that had been sold?

Mr. GORDON. On the ground sold.
Senator KING. Before you sold them?
Mr. GORDON. After I sold them.
Senator KING. Then, that came out of the people who had the equity?
Mr. GORDON. No; I had to pay that myself.
Senator KING. On the entire 99 acres?
Mr. GORDON. Yes, sir. That made an additional cost of $100,000. I think that was very unjust. I do not know how it got across.
Senator COPELAND. Then, you did not make a profit of more than half a million on the whole enterprise?
Mr. GORDON. I made probably 20 per cent. [Applause.]
Senator KING. Now, we do not get anywhere, Mr. Chairman, by that.
Mr. GORDON. I would like to give some of these people who applaud the job, and let them try it.
Senator COPELAND. I did not give the applause.
Mr. GORDON. I see you did not, Senator.
Senator KING. If they do not remain quiet, they can leave the room.
Senator COPELAND. The point I make is you did not go into this for your health. You really made some money.
Mr. GORDON. A little bit, possibly: that is true.
Senator COPELAND. Now, when you take over those properties, taking care of the first and second trusts——
Mr. GORDON. Yes, sir.
Senator COPELAND. Those persons who bought the lots and had the original equity, they lost all they had?
Mr. GORDON. As a rule; those who drop out do not pay in much, as a rule, or they would not drop out.
Senator COPELAND. You would not have sold to them, would you, if they had not made a reasonable down payment?
Mr. GORDON. We could not have promoted at that time without selling on easy payments. You can not promote any pioneer development without making advances and easy terms. You have to pay out the money and take it back in easy payments.
Senator COPELAND. When you took a given property, what figures did you develop, Senator King, as to the cost of these individual properties?
Senator KING. I just took his figures. He did not indicate them.
Senator COPELAND. Well, the lot was $2,500, wasn't it?
Mr. GORDON. Approximately; yes, sir.
Senator COPELAND. And the first trust was?
Mr. GORDON. Say $8,000.
Senator COPELAND. And the second trust?
Mr. GORDON. Say $2,000.
Senator COPELAND. $2,000?
Mr. GORDON. Yes.
Senator COPELAND. So, the payment made by the purchaser was about $12,500?
Mr. GORDON. Oh, no; $300 or $400.
Senator COPELAND. I mean to say that was the price.
Mr. GORDON. I would have to look up each case. I did not own the houses. The builders took charge of that. I just financed it in this way. I took the bigger risk, the second trust, and to prove there was a risk I lost on these houses about a half a million dollars. Of course, if times had remained good, that would not have happened.

Senator COPELAND. When you say you took a loss of a half a million——
Mr. GORDON. Yes.
Senator COPELAND. You are not deducting the profit from that that you made on the original sale?
Mr. GORDON. Well, partly so. I would have to dig in on that to see exactly, but if you make a profit, Senator, and if you don't, you have some of your profit to put out. The man that does not make a profit in his business is not a safe business man because he could not meet his obligations.
Senator COPELAND. What I am anxious to find out is what your actual honest-to-goodness loss was.
Mr. GORDON. I think a half a million. It is difficult to tell.
Senator COPELAND. But deducting from it the profits made on the sale of the land?
Mr. GORDON. Well, I presume that profit is in there, but that was a legitimate profit.
Senator COPELAND. I do not doubt that. I want to find out how much you really did lose.
Mr. GORDON. Yes; but if a man can not deserve his profits, he is in a bad way.
Senator COPELAND. I do not know of anybody that has done it except the real-estate men.
Mr. GORDON. They say they are all broke, pretty nearly all of them.
Senator COPELAND. Well, you have not lost enough to go to the poorhouse, yet, have you?
Mr. GORDON. No; but I might go though.
Senator COPELAND. How many houses do you own now?
Mr. GORDON. About 170.
Senator COPELAND. Well, as to those particular houses, how much are we interested in them in connection with this inquiry?
Mr. GORDON. I wanted to show I was earning about 4 per cent on my money net, not any more than that. If I had that money in first mortgages without risk I would get 6 per cent and no risk. These houses take two-thirds of my time and 15 men work on them and it costs $40,000 a year to keep up repairs and try to rent them. You can not rent them unless they are kept up to date.
Senator COPELAND. Well, if you had all the money that you have actually invested and subtracted from that the profits you have made on your transactions and put the balance into Liberty bonds at 4¼ per cent how much would your income be?
Mr. GORDON. How much money would I have? I can't quite catch that question, Senator.
Senator COPELAND. Well, we won't press it. Honestly, Mr. Gordon, I am not feeling very sorry for you.
Mr. GORDON. You are not? Well, how would you like to have my job?
Senator COPELAND. Well, I would like it as well as I do mine.
Mr. GORDON. Well, I will trade with you. I would not mind it for awhile.

Senator CAPPER. I think you have gotten along pretty well compared with all other businesses.

Mr. GORDON. We are holding together, Mr Chairman, but we have run our business at a big loss for six years. Our income is cut 100 per cent. In other words, we have other property and ground and our net profit is below zero.

Senator KING. Have any of the first trusts been foreclosed?

Mr. GORDON. I released a few where I was not on the notes, and they are very sorry I released. They begged me to come in and stay on them but I would not.

Senator KING. Have any of the properties sunk so low in value or risen so high in value, whichever may be the case, as to be worth no more than the first trusts?

Mr. GORDON. Well, on the present market?

Senator KING. Yes; I am speaking of the present market.

Mr. GORDON. There is no sale on the present market. That is the answer to that. You simply can not sell.

Senator KING. Well, take a house the ground for which cost $2,500 or $2,000.

Mr. GORDON. Yes, sir; the ground $2,000, yes, sir.

Senator KING. And $8,000.

Mr. GORDON. First trust?

Senator KING. The first trust was $8,000, and that would be $10,000.

Mr. GORDON. Yes.

Senator KING. Would any of those houses sell for $10,000 to-day in the market?

Mr. GORDON. If you can find a buyer, they probably would bring $10,000; but you can not find a buyer. There are no buyers. People haven't any money.

Senator KING. Are there any houses that you own, or houses similar in quality, sold, and if so, do you know the price?

Mr. GORDON. I think there are a few. I think we sold a few.

Senator KING. At what price?

Mr. GORDON. Well, we probably got about what we had in them, actual money, if I remember correctly. There were very few.

Senator COPELAND. And how much was that?

Mr. GORDON. The actual money on the second trust and the first trust and taxes and interest we had to pay that had accumulated, and a little over it, commission maybe, to some agent, but of course on those we got rid of, we tried to trade them for land, and land isn't paying any income.

Senator KING. Did you have to take over some of the first trusts?

Mr. GORDON. Well, you mean assume them?

Senator KING. Yes.

Mr. GORDON. Practically all of them. I had to obligate myself on them. If you want to let a house go, if you are on the note, they won't let you go. They say, "We will foreclose and hold you on the deficiency."

Senator KING. What taxes, interest, insurance and other charges, water charges, and so on, did you have to pay?

Mr. GORDON. That would be detail. I could not give you that, but we had it all to pay, because taxes come ahead of the first trust, and the Government has not reduced our taxes, and we would be very glad to sell all of our houses in the District at a good deal less than the assessed value. We would be tickled to death to do it.

Senator KING. I was trying to determine approximately the cost of those houses to you that you had to take over.

Mr. GORDON. If you take a house over with $8,000 on it and $300 in taxes, you have to pay that; and $300 in interest, you have to pay that. That is a fair idea of it, and then the commission, and when they renew the trusts they will increase the interest to more than 6 per cent, and I have had to pay more than 6 per cent and more than the usual commissions for renewal.

Senator KING. You had to pay commissions?

Mr. GORDON. Yes: they used to be 1 per cent and some are charging 2 per cent, and in Maryland 3, 4, 5, and 6 per cent.

Senator KING. And you did not have the capital yourself to take over those trusts?

Mr. GORDON. I had to assume them. There is the nightmare right there.

Senator KING. Could you figure the cost of those houses to date?

Mr. GORDON. I could.

Senator KING. Including the interest?

Mr. GORDON. I could do it. We have all that on record.

Senator KING. The back taxes and all those costs that you had to pay to assume them?

Mr. GORDON. Yes, sir; and it would astound you if you would read it, sir.

Senator KING. So that you can account for what you have received and what you have expended?

Mr. GORDON. Exactly, sir.

Senator KING. How many of the houses you have described are now rented?

Mr. GORDON. We are about 94 per cent rented and are using very extraordinary advertising and follow-up to do that. We can not get up to 100 per cent to save our lives.

Senator KING. How many rooms are there in those houses?

Mr. GORDON. Six to ten rooms.

Senator KING. Standard?

Mr. GORDON. All standard.

Senator KING. By that I mean up to date.

Mr. GORDON. Yes; they are standard, good houses, up to date.

Senator COPELAND. What rent do you get for those houses?

Mr. GORDON. Well, from $30 up to $125.

Senator KING. That is those of 10 rooms?

Mr. GORDON. Those bring $125 in a fashionable neighborhood and expensive houses.

Senator KING. What do those houses cost?

Mr. GORDON. They stand me in money about around $19,000. It does not pay. We are losing money on them.

Senator COPELAND. Mr. Gordon, you bought about 100 acres?

Mr. GORDON. Yes.

Senator COPELAND. Is some of that land empty now?

Mr. GORDON. You mean vacant lots?

Senator COPELAND. Yes.

Mr. GORDON. Some of it is, but it is pretty well built up, Senator.

Senator COPELAND. Has that ground those houses are on cost you anything now?

Mr. GORDON. Well, you are not getting any interest on your money.

Senator COPELAND. You are considering what you paid for them.

Mr. GORDON. We made a profit in there. That is a matter of detailed figuring.

Senator COPELAND. That land then, in the last analysis, on which these houses are built cost you nothing?

Mr. GORDON. Well, part of it cost me nothing but we did not make over about 20 per cent net on that ground. That is about all we made, sir.

Senator COPELAND. Then, a house where the lot was $2,500 and the first trust $8,000——

Mr. GORDON. We made $500 on that lot. We lost, maybe, $2,000.

Senator COPELAND. You mean to say you only made $500 on that lot?

Mr. GORDON. That is all I made on them.

Senator COPELAND. Now, Mr. Gordon, I want to follow that up a little more.

Mr. GORDON. All right, Senator.

Senator COPELAND. You made a very profitable deal, did you not?

Mr. GORDON. I do not think we made over 20 per cent net and paid our expenses, sir.

Senator COPELAND. How much would that be?

Mr. GORDON. Let me see. I would have to deduct the streets and alleys. That would be about 2,800,000 feet. Now, we averaged about 40 cents. We sold a lot of it at 38 cents. Two million eight hundred thousand feet at 40 and some undesirable lots we could not get that for them. That property probably brought about a million dollars, that piece of ground, and 20 per cent on it would be $200,000. That has all been wiped out long ago.

Senator COPELAND. You have deducted what you gave to the city?

Mr. GORDON. Yes; for streets and alleys.

Senator COPELAND. And, you got a million for it, about a million?

Mr. GORDON. Yes, sir; it is not all sold yet in that tract, Senator.

Senator COPELAND. And it cost you——

Mr. GORDON. Well, we got approximately, if it was all sold, which it isn't, 40 cents a foot, and that would be around a million dollars, and then I figured that we made 20 per cent profit.

Senator COPELAND. Now, listen. If you got a million for that, it cost you $100,000, did it not?

Mr. GORDON. This piece of ground—well you have left off the $6,000 an acre for grading and streets.

Senator COPELAND. You mean to say you only made $200,000?

Mr. GORDON. Then, we had all our expenses.

Senator COPELAND. You think you made only about $200,000?

Mr. GORDON. Yes; on that tract of ground. That don't last six months when the smash comes and you have second-trust paper.

Senator COPELAND. $200,000. How many lots there? How many houses are there?

Mr. GORDON. About 500.

Senator KING. That is, if all were sold?

Mr. GORDON. Yes, sir; they are not all sold there. I would like very much to sell them and they eat themselves up when idle. They do not draw you any money. You could put your money in Liberty bonds at 3 per cent and get 3 per cent, and you get nothing——

Senator KING. You pay taxes?

Mr. GORDON. Yes; and they put them up on us heavily and won't take them off.

Senator KING. Would you object to furnishing a statement?

Mr. GORDON. Not at all, sir.

Senator KING. Showing the financial profits and losses in this matter?

Mr. GORDON. Not at all, sir. I can give it to you. All of these second trusts do not come there. They were scattered around. We had about half there and one-half away from these pieces of ground. In the second-trust business it leads you around just like hunting one rabbit, and the first thing you know another one jumps up, so you get scattered around in your business.

Senator COPELAND. Do you feel that you are to be immune from the losses that all the rest of us have sustained by reason of the Republican prosperity?

Mr. GORDON. You say your income has been cut. Mine has been cut 100 per cent for six years.

Senator COPELAND. Well, let us attach your loss, however, to one particular house. Are you expecting to get as much income from that house as you did in 1924?

Mr. GORDON. No, sir; I am not getting it.

Senator COPELAND. Well, how much less are you getting?

Mr. GORDON. Well, I would have to look that up. We are not getting as much and then we did not have any vacancies. I have had as much as 50 per cent vacancies.

Senator COPELAND. It seems remarkable to me they are 94 per cent filled now.

Mr. GORDON. That is with strenuous hard work, night and day, and with very much expense, automobile expense and advertising.

Senator KING. When did you reach that maximum?

Mr. GORDON. Ninety-four per cent?

Senator KING. Yes.

Mr. GORDON. Just lately. We were about 50 per cent vacant for a long time. That is a tremendous loss.

Senator KING. Have any of your tenants during the past few months complained about the rents?

Mr. GORDON. Yes; as soon as this agitation came up they began to ask for reductions and I told them I could not afford it.

Senator COPELAND. You mean the agitation with the committee?

Mr. GORDON. Yes, sir. I never heard a word until this agitation started.

Senator COPELAND. Are you not aware of the fact, as the chairman pointed out, that the committee simply followed the protests of the community?

Mr. GORDON. They may have, but I never got any complaints until this agitation commenced.

Senator COPELAND. You think your tenants up to that time were entirely satisfied?

Mr. GORDON. No; no tenant is satisfied when he thinks he can get less rent. That is the easiest thing in the world.

Senator COPELAND. Do you not think under the circumstances they are entitled to less rent?

Mr. GORDON. Not in my case. I can not speak for anybody else. We have no other income. We have a gross income and it goes right back in there every day. We are living on our capital. If we had not been thrifty we would not have lived.

Senator COPELAND. You mean by reason of the interest you have to pay and your taxes and so forth——

Mr. GORDON. When I sell a piece of ground, the money goes right back into the house. It has been doing that for five years. When a man pays me $5,000 for a piece of ground I put it right back in these houses, beautify them and fix them up and try to keep them rented and get the best income out of them. I follow the policy of trying to make every house new—that is, as far as we are able to do so. We take care of the paper and see that there is a good roof and everything like that.

Senator CAPPER. This appeal for relief, Mr. Gordon, started over six months ago.

Mr. GORDON. I know, Senator.

Senator CAPPER. In all of the time I have been with this committee, which is 13 years——

Mr. GORDON. Yes, sir.

Senator CAPPER. I have never known as keen an interest in the situation in the District of Columbia and a greater demand for relief of some kind, and assistance, as has come in this rent matter. It has been increasing rapidly, and of course this recent action of the Congress in reducing the salaries or reducing the income has added to that very much.

Mr. GORDON. Yes.

Senator CAPPER. But, I will say now, and for the information of the committee, I think you will be interested in this, that we have had comparatively few complaints from tenants of properties such as you are interested in. It comes very largely from the apartment houses.

Mr. GORDON. Take this case, this morning, in a house, a new gas stove, a new hot-water heater in the cellar, garage, that cost $1,000, paint, repairs, and betterments, $300 or $400 in one house.

Senator COPELAND. Well, you would have to do that in normal times.

Mr. GORDON. Yes; but it takes all my profit, and these people are complaining about everything they pay. I would like to buy everything I buy cheaper, but I do not come up here to the Capitol about it.

Senator COPELAND. Well, you are buying your paints cheaply, cheaper.

Mr. GORDON. But I would still like to buy paints cheaper than I do; but if I can not, I do not come up here. I take my medicine. The men in the business of running the paint stores are not making any money.

Senator COPELAND. Do you question the propriety of the Senate inquiry?

Mr. GORDON. Not at all, sir. I do not question it at all, sir. I just remarked that we did not have any complaint from the tenants until this came in the paper, and naturally they would like to get their rents less. I am not criticizing the committee for bringing this out.

Senator COPELAND. You were still in possession of a good many houses that you had not sold before this crisis came on?

Mr. GORDON. No; I did not own any houses when the crisis came on. I do not think I owned a house.

Senator COPELAND. So you would have no means of comparison between your present receipts from rents with previous times?

Mr. GORDON. No. These houses have come in against my wishes.

Senator COPELAND. How many of them are owned by Government employees?

Mr. GORDON. You mean rented?

Senator COPELAND. Yes; rented by Government employees.

Mr. GORDON. Well, Government employees, officials, maybe 20 per cent of them. A good many of my houses are a little too big for them, and I have Army and Navy officers and people of pretty good standing.

Senator KING. I suppose there are first trusts on all these properties that you owe to the banks?

Mr. GORDON. Yes; and we have had to curtail them in these hard times. Now, you let them take it away and they say they will sue you on the deficiency.

Senator KING. What is the average on these houses?

Mr. GORDON. On these 170, I suppose, it amounts to $7,000 apiece.

Senator KING. What interest do you have to pay?

Mr. GORDON. Six per cent and 6½ per cent and commissions for renewals from 1 per cent to 5 per cent. It is an outrage.

Senator KING. Is not that against the usury law?

Mr. GORDON. I expect it is. What are you going to do? If you kick, they will take the house away from you and put you in a worse hole.

Senator KING. I think that is a matter we should look into. Many of these people that loan money avoid usury by charging these extortionate commissions, and, as far as I am concerned, they ought to be attacked. I think a man who violates the law that way where we have a law fixing the rate of interest at 6 per cent and then evades it by charging 3, 4, or 5 per cent for commission——

Mr. GORDON. It is being done.

Senator KING. Ought to be dealt with. We ought to have a statute if there is not one that will reach that.

Mr. GORDON. The first-mortgage people I think are hurting the market.

Senator KING. Who usually loans the money on these first mortgages, banks or investment companies?

Mr. GORDON. Mostly mortgage companies.

Senator KING. With their headquarters here in the District?

Mr. GORDON. Yes; many of them have representatives here.

Senator KING. Who are some to those companies?

Mr. GORDON. Well, Senator, it would hurt me if I would give it to you. I would be shot before to-morrow morning.

Senator KING. Well, we will get it. I will tell you this, before we get through with this hearing, I will go into it.

Mr. GORDON. You can get it all right, but don't ask it of me.

Senator COPELAND. Do you find the banks less willing to lend you money now than they used to be?

Mr. GORDON. I do not want to criticize the banks that have been good to me, but I have reduced all my loans 75 per cent by request.

Senator COPELAND. By request?

Mr. GORDON. Yes. I have no criticism of them, but they have to look out for themselves.

Senator COPELAND. What are banks for except to lend money?

Mr. GORDON. In times of depression they are afraid of runs and have to build up reserves.

Senator COPELAND. They claim they are 85 per cent liquid.

Mr. GORDON. Yes.

Senator COPELAND. That is like a hospital bragging 85 per cent of the beds are empty with a thousand people lying sick in the streets.

Mr. GORDON. Yes.

Senator COPELAND. It is difficult to get money?

Mr. GORDON. It is almost impossible.

Senator KING. May I ask whether the life-insurance companies are loaning money here on real estate?

Mr. GORDON. Right now you can not get money at any price at all. It is simply almost unobtainable from any source unless you have Liberty bonds or something like that.

Senator KING. Whenever these first trusts mature to-day they insist upon a renewal?

Mr. GORDON. Yes; upon a great big curtail.

Senator COPELAND. And a commission besides?

Mr. GORDON. Yes.

Senator KING. They are not willing to carry it along?

Mr. GORDON. Just in a few cases. That is not the rule or the custom.

Senator COPELAND. What length of time do these run?

Mr. GORDON. Three years; sir.

Senator KING. Why do they not just let it run?

Senator COPELAND. They get a commission every time they renew it.

Mr. GORDON. They ought to carry these loans without a curtail. That is hurting the market.

Senator KING. They ought to carry them without a question if they get a renewal.

Mr. GORDON. It would be a great relief if they did.

Senator KING. Have you sold any of your second trusts?

Mr. GORDON. You can not sell them to them. There is no market for them.

Senator KING. You have not disposed of your second trusts?

Mr. GORDON. I can not sell them. I wish I could.

Senator COPELAND. You not only can not sell them, but you have to reduce the first trusts?

Mr. GORDON. Yes; and you can not borrow, and it is a hot box. Few can stand it. Most of them are broke.

Senator KING. How much are you owing now, if you care to state?

Mr. GORDON. You mean everything I owe?

Senator KING. No; on these houses that the Senator has inquired about.

Mr. GORDON. I would say $700,000 on the houses.

Senator KING. And would that include the first and second trusts?

Mr. GORDON. I own the second trusts. In other words, where the second trust went dead, I took the house. That is just the first trust.

Senator KING. Could you sell any of those houses above the first trust to-day?

Mr. GORDON. There is no market, sir; absolutely none.

Senator COPELAND. What would be your attitude toward a purchaser who offered to buy a house?

Mr. GORDON. I will sell all the houses I have at 25 per cent less than I have in them in cash, if I could sell them. Whatever I have in them in cash, I would take 25 per cent off if I could sell them to-night, to-morrow, next year, any time.

Senator CAPPER. This city was overbuilt, was it not?

Mr. GORDON. When the depression came on and people's incomes were cut down they doubled up. If three are working in the family and two are thrown out of employment, or one, then they won't pay. They seem to be living up to their income, and the Government begged us, after the war, to build, build, build, and give men work, and we did it. It would have been much better if the Government had not done that.

Senator CAPPER. You say the city was not overbuilt?

Mr. GORDON. Not in normal times, but in hard times they double up.

Senator COPELAND. Well, is it not to your advantage, as a rule, to avoid that sort of thing by making every sacrifice to reduce the rents to make it possible for people to live?

Mr. GORDON. If I reduced them further, I would have to give up the houses. We are putting money in there to keep the houses up so that we can rent them. They do not carry themselves. The overhead and all, on account of the vacancies, makes it impossible, but when we get fresh money we have to put it in the houses to hold them together.

Senator COPELAND. Are you familiar with the apartment-house game at all?

Mr. GORDON. Fairly well. I know they are all broke.

Senator COPELAND. Well, is your business comparable to theirs? Are they better or worse off than you are?

Mr. GORDON. Well, I would say—I can not swear to this—more than half of the apartment houses in Washington have been foreclosed through the inability of the people to carry them. Either the second or first trusts have been foreclosed and the people lost them. I think that is the best proof that they do not pay.

Senator CAPPER. Well, were not the most of them financed for a great deal more than they had in them?

Mr. GORDON. Some of them, although a few firms here, which you probably know about, did some very wildcat financing, but we don't count that. That was the exception. Most of our lenders here lend on an apartment house about 60 per cent to 65 per cent of the actual cash cost of the building and ground. That isn't bad. Then, this man will have a second trust above that, maybe of 20 per cent, and then when a smash comes, he gets squashed.

Senator CAPPER. The second trust is where the high financing took place?

Mr. GORDON. Not necessarily.

Senator CAPPER. Did they not discount them 20 per cent?

Mr. GORDON. Yes; but very often for ground, and no dicount. A bona fide sale. A man wanted to sell his ground and he had a lot worth $50,000 and paid down $15,000. Finally, the man who took the note had to take the building.

Senator COPELAND. Is that method universal as regards apartment houses?

Mr. GORDON. Pretty nearly. The man with a million dollars in cash in the bank won't bother with this hard work. The fellow with $12,000 or $15,000 takes the risk and hopes to make something, and if times are good he may make $25,000 or else loose all he puts in.

Senator COPELAND. The present ownership of these apartment houses, the money invested, is far less than the original cost of the building?

Mr. GORDON. Now, why the people have had to take them over—for instance, a building costs $200,000, and you take it over now, it may cost you $150,000, but remember the building has some age on it and probably has been abused. If the man saw he was going to fail, he would not fix it up and spend a great deal of money putting the building back in condition. He may have a lot of undesirable tenants in it that don't pay anybody, and I have plenty of them, and I think if when you examine tenants you will let them show their interest, you will be astounded. I have had them tear out sinks in the house, tear every curtain in the house and break it up, and steal part of the plumbing, and all that in a house may cost $250. You can't catch them at it. You don't see them do it.

Senator COPELAND. Your idea and contention is that even though there has been a foreclosure and new owners have taken possession, that with the amount of the investment they have to make, it goes up to the original cost?

Mr. GORDON. Well, maybe not that. He takes it over at $150,000. Maybe he will have to spend $15,000 to fix it up, but he may lose that much in vacancies before it is filled up again. Sometimes you have to take these houses and fumigate them with poison to get the bedbugs out.

Senator KING. What do you allow for deterioration in buildings here per year?

Mr. GORDON. Well, 2 per cent or 3 per cent.

Senator KING. In 10 years a building costing $200,000 would deteriorate 20 per cent?

Mr. GORDON. It may go further than that; and if the neighborhood goes back, you get hit awful hard. It is a very risky business.

Senator COPELAND. Well, the present investment in an apartment house, according to your figures, is at least 25 per cent less than the investment made by the original builder?

Mr. GORDON. I would say so, yes; but he hasn't got a new building and is not getting the same rents, either. Keep your mind fixed on this: One-half of the apartment-house owners have lost their buildings because they would not pay. That is a fact. Look in the Star every evening and you will see big foreclosures all the time.

Senator CAPPER. Do not the loan companies—the loan companies who are doing the financing—make the clean-up? They get the dollars.

Mr. GORDON. The first-trust man might make a little, but the second-trust man gets wiped out. If it goes to the first-trust man, if the building has not been abused, he will make a little money. It depends on the market.

Senator KING. Has there been a reduction in the value of real estate in Washington during the past few years?

Mr. GORDON. You can build houses now, the actual cost being about 30 per cent less than you could four or five years ago. Ground has held its own. I am surprised it has, really. In many places vacant ground has gone up a little bit.

Senator CAPPER. Are conditions in Washington in that respect better than probably any other city in the country?

Mr. GORDON. I consider Washington the safest city in the world.

Senator CAPPER. Is it not due largely to the fact that there is a steady pay roll here out of the Government Treasury?

Mr. GORDON. Yes, sir.

Senator COPELAND. And no industrial life.

Senator CAPPER. Yes.

Mr. GORDON. The Federal Government is a great factor. They never stop paying, but even at that we have suffered terrifically. If I was in Baltimore, I couldn't have survived, or any other city.

Senator COPELAND. I suppose a man who owns an appartment house carries it on his books at the original cost?

Mr. GORDON. Well, at actual cost; yes, sir. He would. If he did not, he could not stay in business.

Senator COPELAND. And, as a matter of fact, the present value of property is probably not half that?

Mr. GORDON. No; I would not say that. I would say the building is 30 per cent off and the ground has held its own. I think that is it. The ground has held its own.

Senator COPELAND. Then, your judgment is that the average apartment house, thoroughly modern, is worth about 30 per cent less?

Mr. GORDON. The building; yes. The ground at the same value. Ground has held up very nicely.

Senator KING. May I make this suggestion? I would like Mr. Gordon to come back again with some more details, and would it be objectionable to let him retire for the moment and take some of these persons here who may not want to come back again?

Is that agreeable to you?

Senator CAPPER. Yes.

Senator KING. Some of these ladies here want to be heard.

Senator CAPPER. Now then, are there others here who would like to be heard?

Senator KING. Just for a few minutes so that we will hear as many as possible of you who are in a hurry.

STATEMENT OF CHARLES L. GOODRICH

Senator CAPPER. Will you please give your name and address to the reporter for the record?

Mr. GOODRICH. My name is Charles L. Goodrich.

Senator CAPPER. And you residence?

Mr. GOODRICH. The Alabama apartment house.

Senator KING. Are you a resident of that apartment house or are you the owner?

Mr. GOODRICH. I am a tenant.

Senator CAPPER. In the Government service?

Mr. GOODRICH. I was until June 30. The economy bill deprived me of my position.

The apartment house has been built for about 25 or 30 years. I do not remember the exact date.

Senator KING. Is it called the Alabama Apartments?

Mr. GOODRICH. Yes.

Senator CAPPER. Where is that located?

Mr. GOODRICH. It is located at 1015 N Street on the corner of Eleventh and N. The building has in it tenants who have been in there, quite a good many of them, when the building was built, and some of them got in there before the building was finished. There are quite a number of families who have been in there 20 years and up. I have been there 24 years myself. These families have looked upon the Alabama Apartments as their home and they have expected to stay there. In some cases of course the heads of the families have died and some of them have been retired. I think there are now at least five heads of families retired, and their incomes have been reduced necessarily. Also, in connection with the general depression, their savings are not making the returns that they did.

Senator KING. The savings, what do you mean?

Mr. GOODRICH. Their investments, stock dividends, and so forth.

Senator KING. I understand.

Mr. GOODRICH. They have been greatly reduced and alongside of that there has been a constant raise in rents. When I went in there I paid $37.50 a month. I am still in the same apartment and I am paying now $60. That is an increase of some 60 per cent, an increase in rent. We have found of late years it has been very difficult to get any improvements.

Senator KING. How many rooms have you?

Mr. GOODRICH. There are three rooms, a kitchen, and bath.

Senator KING. Three rooms and a kitchen and a bath?

Mr. GOODRICH. Yes; and a kitchen and bath. There are different ways of enumerating these. Some would call that four rooms and bath but three rooms, kitchen, and bath, I think, is the way they advertise.

We think that we have been raised too high.

Senator KING. How long since you have been paying $60 a month?

Mr. GOODRICH. It is $60.

Senator KING. That is what you pay per month now?

Mr. GOODRICH. Yes; I was putting my accounts together the other day, something like 10 or 11 years.

Senator KING. You have been paying $60 a month about 10 years?

Mr. GOODRICH. Yes, very close to that. There may have been 2 or 3 years, the latter part of that 10, in which my total rent was $6,500.

Senator KING. $6,500?

Mr. GOODRICH. I mean $650. My total is $720 now.

Senator COPELAND. Have they spent a lot of money in improving that building since you were in there?

Mr. GOODRICH. No; the building has been running down. The service has been run down.

Senator COPELAND. Have you improvements in the building that you did not have when you went in, 24 years ago, like refrigerators?

Mr. GOODRICH. Why, last June, the last day of June, they came to us and told us they were going to give us refrigeration. We had been asking for a rent reduction. We also asked for refrigerators. Other apartments had been putting refrigerators in, and they finally came all of a sudden and put refrigerators in. Now, it is our opinion that those refrigerators went in, not so much for our particular benefit, as the fact that they had vacant apartments which they could not rent without the refrigerators because everybody who came in there to look at them said, "Well, have you got refrigeration here?" "No." So, that has practically forced them to put refrigeration in the apartments in order to rent them.

Senator KING. What percentage of vacancies have there been during the past 10 years?

Mr. GOODRICH. I do not know. The building has been fairly full. I do not know definitely now. I think there are three vacancies now. There was one filled the other day.

Senator KING. How many apartments are there?

Mr. GOODRICH. Forty-nine.

Senator COPELAND. Has there been any improvement in the plumbing or in the heating since you have been there?

Mr. GOODRICH. Only when things have been worn to the state that they couldn't get along without it. There has been a new boiler put in, I think in the past year or two.

Senator COPELAND. But, the system is the same as it was before and that was simply a renewal?

Mr. GOODRICH. Yes, simply a renewal.

Senator KING. Do you have hot-water heat or hot air?

Mr. GOODRICH. Steam.

Senator COPELAND. Has the land value increased a good deal in that 24 years?

Mr. GOODRICH. I do not know anything about land value. I suppose it has because the land values have bettered every year.

Senator COPELAND. But the building value has decreased?

Mr. GOODRICH. I should say it has decreased; yes. We had a nice roof garden when we went there. That has been allowed to rot away and is gone and we have nothing at all.

Senator COPELAND. Well, you had beer when you had the roof garden?

Mr. GOODRICH. No; we didn't have beer. It was a place to go up and get fresh air at night.

Senator COPELAND. Are the same people in ownership now as when you went in?

Mr. GOODRICH. No; I do not know how many owners we have had in the last 5 or 10 years. It has been changing hands very rapidly. We never know who the owners are. We tried to find out who are the present owners but haven't been able to do it.

Senator KING. Who is the agent?

Mr. GOODRICH. The agent is Randall Hagner.

Senator CAPPER. Now, Senators, you might be interested in this. Here is a copy of the appeal that 35 of the tenants signed, addressed

to Randall Hagner & Co., asking for a reduction. In their letter to Randall Hagner & Co., they said:

We, the tenants of the Alabama apartment house, located at 1015 N Street NW., request that a substantial reduction of rents be made. Practically all of the tenants have had a reduction in their income, either from a cut in their salaries, which ranges from 8⅓ per cent to 50 per cent, or from depreciation in the value of stocks. We feel that we are paying far too much for the location, neighborhood, depreciation of building, old-time equipment, plumbing, etc.

A number feel that they will have to move to less expensive quarters unless they get a very substantial reduction in their rent. We are asking that such action may not be made necessary. Thanking you for the consideration of this problem and hoping that an immediate remedy may be forthcoming. we are—

Now, then, the reply that they got from Mr. Randall Hagner, under date of July 20, reads:

We are in receipt of a letter dated July 14, signed by the tenants of the Alabama asking for a reduction in their rent.

We have taken this matter up with the owners of this building and after serious consideration they have determined at this time that they have been more than generous in installing electrical refrigeration at a cost of $135 each, and that they should not be called upon to do anything regarding a reduction in rent.

It is the owners' intention, as well as the agents, to give the tenants in the Alabama every possible service, but the tenants should realize that the owners must be reimbursed for an expenditure such as they have made. No additional charge has been made for this refrigeration and in most cases this equals two months rent.

Will you please communicate this information to the different tenants in the Alabama who signed the aforesaid letter?

Mr. GOODRICH. I don't know anything about the cost of the refrigerator. We very much doubt that figure, but the only difference in the refrigerator is the little convenience and the little saving from ice and electricity. We pay for the cost of running those refrigerators. It is not as it is in some others, on the house.

Senator KING. Well, the house has to purchase them?

Mr. GOODRICH. Yes.

Senator KING. And install them.

Mr. GOODRICH. Yes; they don't pay any running cost, however.

Now, about two years ago, I think it was, we had what we call a dollar increase per month in rent. In other words, they put on a telephone service of $1 a month which we never had in the building before, but we think it was simply a subterfuge to get a little more rent.

Senator COPELAND. Was there a telephone in the building when you first went in there?

Mr. GOODRICH. Telephone and switchboard; yes, sir.

Senator COPELAND. You had an individual telephone in your apartment?

Mr. GOODRICH. An individual telephone in each apartment. Now, there are two or three tenants, possibly, who put in their own individual telephone and are not dependent upon the house switchboard.

Senator COPELAND. Do they pay the dollar a month just the same?

Mr. GOODRICH. I don't know. I doubt if they do.

Senator KING. Not if they had an independent telephone.

Mr. GOODRICH. I doubt if they do. I don't happen to have asked anyone that question. My impression is they don't.

Senator COPELAND. How much did you pay when you first went in there?

Mr. GOODRICH. $37.50.

Senator KING. That was 20 years ago.

Mr. GOODRICH. That was in 1909.

Senator KING. Twenty-four years ago.

Mr. GOODRICH. Yes.

Senator COPELAND. The value of the property, of the building, of course, is very much less than it was then?

Mr. GOODRICH. Yes.

Senator COPELAND. But, doubtless, the land value has been enhanced.

Mr. GOODRICH. Undoubtedly.

Senator KING. Would the building and land together sell for more now than they would 24 years ago?

Mr. GOODRICH. I don't know. I doubt it. Still, I don't know anything about land prices in the city. I have never looked into the matter at all as to what they are. Now, I do know that at the time, during the war, when we had the fight, that they tried to make the committee believe that it was worth $400,000. Well, I believe we have been told several times that it didn't cost more than $250,000.

Senator KING. The building, of course, would be a great deal more now, and during the war, than it was 24 or 25 years ago.

Senator COPELAND. What item is that?

Senator KING. I say, the cost of the building construction would be a great deal more now, or in war times, especially war times, than it was 24 years ago.

Senator COPELAND. I am advised the land value is no greater now than it was when Mr. Goodrich went into the house.

Senator KING. I am surprised if it is in a good locality because land values have increased in 24 years.

Senator COPELAND. Taxes have increased a good deal.

Mr. GOODRICH. Yes.

Senator KING. I suppose here, as well as in other places the question of the value of the land depends upon the growth ofthe city. Land values in the northwest have increased several hundred per cent, or perhaps 1000 per cent during the past 10 or 15 years since the development and in some parts of the city; from my investigation, as a member of the District Committee, I find land values have decreased, measured by—there are many reasons for it.

Mr. GOODRICH. I have been looking around for a possible location. I can't afford to pay the rent we are paying there now and I have found that lots are somewhat lower, the same lots I inquired about two years ago, are somewhat lower now than they were then.

Senator COPELAND. Well, materially lower?

Mr. GOODRICH. Well, from, let us say, 8 cents and 10 cents to 5 cents and 6 cents a square foot.

Senator KING. Less, you mean?

Mr. GOODRICH. No. that is the price asked. I have compared certain lots that I priced two to three years ago. The price then was 8 cents on part of them and 10 cents a square foot on the others.

Senator KING. Well, those lots must have been remote?

Mr. GOODRICH. They are not within the District. Just outside the District. They are this side of Kensington and Chevy Chase, and now they can be bought for probably 5 cents or 6 cents.

Senator COPELAND. Mr. Goodrich, without going too far into your own private affairs, this has a bearing on the thing we are trying to

bring out, what would you feel that you could afford to pay in rent now in the Alabama?

Mr. GOODRICH. I am trying to find a place outside, either to buy a house and lot, if I have to go away out, possibly several miles, so that I can reduce my rent to between at least $40 or $50 a month. I can't pay over $50. I ought not to pay over $40. That is $500. I ought not to pay it with the reduction that I have had from a salary to an annuity.

Senator COPELAND. You ought to have a reduction of 20 per cent or 25 per cent, in your judgment?

Mr. GOODRICH. Yes. I doubt if I can stay in the building anyway with the reduction that they may make there.

Senator COPELAND. But, if you got a reduction of 20 per cent or 25 per cent they would still be getting considerably more money per month than they did when you went in there?

Mr. GOODRICH. Yes.

Senator CAPPER. Have you studied this problem enough so that you would venture to make a suggestion to this committee as to what it should do?

Senator KING. Or what it can do under the law?

Mr. GOODRICH. Well, I don't know anything about the law at all governing these things. I simply know that as far as the law is concerned, during the war, when we were fighting to save ourselves from too high a rent, and from eviction, that we fell back on three different laws which were in force at that time. They probably are not now. They were simply war laws. There were Army men's families in the building which protected them. Then there was another special law.

Senator KING. We passed the rent law at that time.

Mr. GOODRICH. Yes.

Senator KING. You are not a lawyer and do not pretend to advise us?

Mr. GOODRICH. No, I could not so far as law is concerned.

Senator KING. Is there anything else you want to say in connection with this problem?

Mr. GOODRICH. Just this, that I have been out hunting to see what I could do in the way of bettering myself and I have run against a stone wall. Wherever I go, it is practically the same thing.

Senator KING. By that you mean it looks as though the owners of buildings have entered into a combination to maintain prices?

Mr. GOODRICH. I would not say that they have, but it looks that way. I have run up against that same thing in Washington ever since I came here, whenever I attempted a piece of business.

My first piece of business in Washington, I came in to buy grain. I had a little farm in Maryland and I had to have grain right away. I went to grain dealers in town, to two brothers. They are not in business now. I believe they are both dead—and I bought an invoice of grain. In the meantime, I looked around before I needed more and found in Baltimore how much better I could do, about 25 per cent. I came in here and told those men what I had gotten in price there and the one that I had dealt with said, "I will go in and talk to my brother about it." He talked to his brother and came out and said, "We have agreed to sell grain at those prices and we do not feel we can meet your figures." So I went to Baltimore.

Senator COPELAND. It is up to the chairman to defend the fixing of prices for farm products.

Senator KING. He believes in that. I remember going out into the country a year ago or so to buy some peaches, apples, and other fruits and found the farmers all charged the same price.

Mr. GOODRICH. Yes; that is a fact.

Senator KING. They fix the prices.

Mr. GOODRICH. Yes.

Senator KING. And, you go down to the market here and they charge the same prices.

Mr. GOODRICH. Then, when I bought my implements and machinery I got prices from some dealers here in town and in Baltimore and it ran anywhere from 10 per cent to 25 per cent lower in Baltimore than here in Washington.

Senator COPELAND. Well, your judgment, Mr. Goodrich, is that the real-estate men here are no different than the other merchants?

Mr. GOODRICH. No. Here is another instance. I went out to look up lots about two or three years ago and was taken by one dealer to a certain lot and looked at it and said, "What is the price of this lot?" "Well," he said, "the price on that is $6,000, but I think if you talk with the owner at about $4,000, he would listen to it," and the same thing on other lots. There was perhaps a little tendency for a let up in prices. They were the prices, but go and talk to the owner and perhaps he will talk with you if you offer a little less than that.

Senator CAPPER. Do you think the apartment-house owners have an understanding between them?

Mr. GOODRICH. I do not know, but it looks that way. If you could go out, you get the same prices and regardless of the character of the rooms and the location of the apartments in the buildings. A front apartment may be the same price as an apartment away in the back looking out over back yards, but there is no difference.

Senator COPELAND. Well, they would reply to that, that that is the law of supply and demand; but suppose you go into a vacant building, go into a building where there are just a few apartments rented, would that not make a difference, and would they not make concessions to you there?

Mr. GOODRICH. No.

Senator COPELAND. They would maintain the price?

Mr. GOODRICH. Yes; I have been in apartments and I have been quoted prices which I thought altogether too high, although the other apartments in the building were vacant.

Senator CAPPER. Do you not think that conditions as they are in this city, and as described here awhile ago by Mr. Gordon, where families are doubled up, and for that reason there are a great many vacancies—would you not think that logically there would be a reduction in rental charges?

Mr. GOODRICH. That is what we expect, but we don't get it.

Senator CAPPER. You do not find anything of that kind?

Mr. GOODRICH. No. I have been told that there are some few apartment houses in which there have been reductions.

Senator COPELAND. General reductions?

Mr. GOODRICH. Yes; through the house. I was told the other day of one house in this city in which the tenants found in their mail

boxes a statement, a voluntary statement, from the owners, I presume, through their agents, stating that all rents in this house will be reduced so much on a certain percentage.

Senator CAPPER. That is a $2.50 reduction?

Mr. GOODRICH. No; I think this was more than that. I don't know what it was.

Senator CAPPER. Well, the equivalent to about 5 per cent. We have information here from various sources in black and white where something like a dozen apartment houses have made a small reduction. In the small apartments it amounts to usually $2.50 a month and about 5 per cent on the larger apartments, but would you regard that as a satisfactory reduction?

Mr. GOODRICH. I think we ought to have not less than 10 per cent in the Alabama.

Senator KING. Mr. Chairman, I think that before we finish this, and I should like to have it as soon as possible, we ought to summon the assessor of the District who is familiar with values, to bring to us his assessment upon a good many of the apartments selected in various parts of the city, together with his estimate of the fair market value of the same, together with the buildings and improvements thereto, and then bring in before the committee those who have charge of those houses, those apartment houses, and ascertain what they are charging for rent in the buildings, the number of vacancies, if any, and then attempt to ascertain the profits, if any, upon the investment, so that we could have some basis. Of course, it would not be conclusive by any means but it would be a factor to enable us to weigh the various elements that are to be considered in this investigation.

Senator COPELAND. At the same time, I assume he would bring previous assessments and cases in assessments?

Senator KING. Yes: going back for a number of years.

Senator CAPPER. I think that is a good suggestion.

Senator KING. What do you think about that, Senator?

Senator COPELAND; I like that and I wish they might include these apartments which we dealt with in 1924. We have a list of them here, because we have certain testimony relating to them.

Mr. GOODRICH. I think the Alabama was one of them.

Senator COPELAND. No; I do not find the Alabama here.

Senator KING. I should like also, Senator, to have the assessor make inquiry to ascertain the value of properties in various parts of the city where there are not apartment houses, but where rooms are rented and find out the value of those properties as shown by the assessment rolls and then we will summon a number of those owners who rent rooms in their houses and find out what they are charging and what profits, if any, they are making, so as to have a pretty complete picture of the rent situation in the District, not confining our investigation to apartment houses but to houses generally where rooms are rented.

Senator CAPPER. I think that information will all be very helpful and we ought to have it.

Senator KING. It may be that in many of these private houses are extortionate. I do not know. It may be they are too high or too low. I would like to get a complete picture so as to deal fairly with the landlords and the owners, as well as the tenants.

Mr. GOODRICH. I think that is the proper thing to do.

Senator KING. We are here to do no one an injustice but to try to ascertain the facts.

Senator CAPPER. Thank you, Mr. Goodrich.

STATEMENT OF J. C. OLDEN, ASSISTANT SECRETARY, THE BETTER CITIZENS BUREAU, WASHINGTON, D. C.

Senator KING. What is your name?

Mr. OLDEN. J. C. Olden, representing the Better Citizens Bureau.

Senator KING. Where do you live?

Mr. OLDEN. 2125 N Street.

Senator KING. And you have an office?

Mr. OLDEN. Yes; at 907 U Street NW.

Senator KING. That is the office of what?

Mr. OLDEN. The Better Citizens Bureau.

Senator CAPPER. What is that organization?

Mr. OLDEN. The purpose of this organziation is to make surveys and get facts upon matters pertaining to colored people.

Senator KING. That is a colored organization?

Senator COPELAND. What is the name of it?

Mr. OLDEN. The Better Citizens Bureau.

Senator KING. Are you the manager?

Mr. OLDEN. Assistant secretary.

Senator CAPPER. How large a membership have you?

Mr. OLDEN. It is made up of several organizations. It occurs out of a movement on the part of the ministers.

Senator KING. Colored ministers?

Mr. OLDEN. Yes, colored ministers; the Ministers Alliance and the Baptist Conference, through their civic organizations, and they were represented here before, and since that time we have included some other organizations to make permanent the effort to ascertain facts with reference to colored people and their activitites.

Senator KING. Well, have you made such investigations as to enable you to present data reasonably accurate that might be the basis of action respecting the matters concerning which you have made the investigations?

Mr. OLDEN. Yes, sir.

Senator COPELAND. Have you included the alley dwellings, too?

Mr. OLDEN. Yes; Mr. Ellis has some data on the alley dwellers. I might mention that incidentally, but I am taking up the matter of apartment buildings that are occupied by colored people that were formerly occupied by white people.

Senator KING. May I inquire whether most of those apartments that you are going to discuss are owned by white people or by colored people?

Mr. OLDEN. They are owned by white people for the most part.

Senator KING. And I suppose when the colored people came into those sections that the whites moved out and the colored people moved in?

Mr. OLDEN. Yes, sir.

Senator KING. Give us the names of some of those apartments.

Mr. OLDEN. I did not get the names. One is located on Park Road and there is one on Florida Avenue, and I do not think these apartment houses have names. One is at Fifteenth and T Streets and another in the fourteen hundred block of W Street.

Senator KING. How many apartment houses are you going to give testimony concerning?

Mr. OLDEN. We have compiled our data with reference to about 25 apartment houses and we have the averages.

Senator KING. Go ahead.

Mr. OLDEN. The average 1-room, kitchen, and bath colored apartment is $37 a month; two rooms, kitchen, and bath, the average is $49 a month.

Senator KING. How much was the first one, $37?

Mr. OLDEN. Yes; the average.

Senator KING. What is the minimum?

Mr. OLDEN. The minimum of these 1-room, kitchen, and bath apartments?

Senator KING. Yes, sir.

Mr. OLDEN. $32.50; from $32 to $40.

Senator KING. Are they heated?

Mr. OLDEN. Yes, sir; and lighted.

Senator KING. Water, hot water, furnished?

Mr. OLDEN. Yes, sir.

Senator KING. Refrigeration in any of them?

Mr. OLDEN. No; none of these, I think, have refrigeration.

Two rooms, kitchen, and bath, $49, average.

Three rooms, kitchen, and bath, $58.75, average.

Four rooms, kitchen, and bath, $60.83, average.

Senator KING. They got that 83 cents, did they?

Mr. OLDEN. Yes. Five rooms, kitchen, and bath, $62.75, average.

Now, these same apartments when occupied by white people—we will begin with the 3-room, kitchen, and bath apartments, were $32.50.

Four rooms, kitchen, and bath, average, $46.

Five rooms, kitchen, and bath, average, $47.50, and then we combined the figures and we find that the percentage of rents paid by whites for three rooms, kitchen, and bath, as compared to negroes, is 54 per cent.

Senator COPELAND. What is that statement now?

Mr. OLDEN. The percentage of rents paid by whites for three rooms, kitchen, and bath, as compared with colored people who came into those apartments afterwards, is 54 per cent. The whites paid 54 per cent as much as the colored for that same piece of property.

Senator KING. They increased it to the colored people?

Mr. OLDEN. They increased it to the colored people. This represents an increase of 12 per cent when the colored went in.

Senator CAPPER. That is, the colored paid 12 per cent more than the whites?

Mr. OLDEN. Yes, for three rooms, kitchen, and bath.

Senator COPELAND. Did you say there was no refrigeration in any of these houses?

Mr. OLDEN. There is not.

The percentage of rents paid for four rooms, kitchen, and bath, by the whites, compared with negroes, is 75 per cent, an increase of 25 per cent, and in a five room, kitchen and bath, as compared to negroes, 79 per cent, an increase of 21 per cent.

We found one case at 1407 W Street NW., where a piece of property rented by the white people—five rooms, kitchen and bath—for $50 a month; and the colored went in and the price increased to $62.50. There was a large hall room and this hall room was cut up into another apartment for $37.50, and this was an increase of 100 per cent that the colored people paid for the same space.

Senator KING. What is the fact as to whether or not there were more colored individuals or people in an apartment than there were whites? In other words, after the colored people rented, were not more or larger families in an apartment than white families?

Mr. OLDEN. I do not think that is true, not with these apartments.

Senator COPELAND. Is your experience here similar to that of other cities, that they make the same increases in other cities when the colored people move in?

Mr. OLDEN. Sometimes there is an effort to keep the colored people out and then when they move into these places the property goes up. I think the rent agents do that themselves to stir up this friction and they cause antagonism and then they can get more for the property, even for sale.

Senator COPELAND. Is it not a fact that where there is a colored residential section that the whole block is colored or the whole street is colored?

Mr. OLDEN. Sometimes.

Senator COPELAND. You do find whites and blacks in the same block, ordinarily, do you?

Mr. OLDEN. Yes, sir; here in Washington.

Senator COPELAND. Yes; here in Washington.

Mr. OLDEN. Yes, sir.

Senator COPELAND. Well, is there the same increase in the price charged where the white people are?

Mr. OLDEN. No, sir.

Senator COPELAND. In those houses in a block where there are many colored families?

Mr. OLDEN. No, sir. The whites were there first as a rule, and there is an apartment on S Street where the whites are still occupying the apartment across the street, a similar apartment to the ones occupied by colored people on the other side, and the janitor; they have the same janitor for both of them.

Senator KING. Do the whites pay less?

Mr. OLDEN. Yes, they pay less. The rent went up as soon as the colored people came in. The apartments were the same as when occupied by whites but one went colored and they increased the rents.

Then one apartment out over here in the northeast sections, the whites complained about the rent, and they said, "If you don't like it, move out, and colored people will come in and pay more rent," and since then that has happened.

Senator CAPPER. Have you had any explanation from the owners or the agents of these apartments as to why the rents were increased?

Mr. OLDEN. They gave us a reason. I talked to Mr. Scott, one of the leading colored real estate men. He took me around and he said the cause is the colored people sometimes destroy the property more than whites, but Mr. Gordon has refuted that argument to-day when he said the whites take the fixtures out, and so that isn't true, so he has furnished us an argument before we came that both groups tear up the property.

Senator KING. There are vandals, both white and black.

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Senator COPELAND. What do you think is the reason, just that they feel colored folks are easier or they can get more out of them?

Mr. OLDEN. They make a change. Sometimes the agents say, "If you turn this property over to colored people, we can get more for it."

Senator COPELAND. Well, is there another factor, that the feeling is that when the colored people move in that the value of the property depreciates and they are trying to make up for that loss by charging more rent?

Mr. OLDEN. Well, I can not see where there is a depreciation where the property has gone up.

Senator COPELAND. You refer to the income?

Mr. OLDEN. Yes: that is not depreciation. It is depreciation in one way, they say the property won't be worth as much but if a man can rent his property for about 25 years at an increase he has paid for the property two or three times anyway.

Senator KING. What is the effect where there is a piece of property in a white neighborhood occupied by whites and in that neighborhood the colored people invade it, and that particular building is taken over by the colored people? Do you say the value is the same, that it increases, even though there is an increased rent or that the value is affected deleteriously?

Mr. OLDEN. There is no difference in assessment value. The taxes are no less. They go up, just like they did before.

Senator KING. Then, houses in colored sections are assessed as high whether occupied by blacks or whites?

Mr. OLDEN. Yes, in Washington. There is no particular colored section as far as certain parts of Washington are concerned and as far as the northwest section is concerned, colored and white live pretty well up in the same section.

Senator COPELAND. There is no section like Harlem?

Mr. OLDEN. There is no particular negro community except Kingman Park and De Priest Village, which is being built up, but they live pretty close together in the northwest section of Washington. There is not very much of a negro settlement in Washington like in other places.

Senator KING. Are you here making a complaint of the rents charged by the landlords?

Mr. OLDEN. Yes, sir.

Senator KING. What suggestions have you as to how we can adjust that?

Mr. OLDEN. I think the rents should be reduced because, as has been said, the salaries have been reduced and then for the sake of sanitation and hygiene, people doubling up, it is not as healthy as if they are allowed to live more scattered.

Senator KING. Do you perceive a doubling up, using your expression, among the colored people?

Mr. OLDEN. Yes, they double, too, and sometimes treble.

Senator KING. Well, would not that account for the increased rents charged the colored people?

Mr. OLDEN. They did not double. Some of them did not double until the depression came on.

Senator KING. In the data which you have assembled, and when I say you I mean your organization, have you ascertained the value of some of these buildings, these apartments which you are bringing to

our attention, the taxes paid, the insurance and the various charges, the depreciation, all of which the owner has to meet, and then ascertained the rents received, taking into account vacancies from time to time, the risks, whatever they may be, large or small instances, the changes in the valuation of property, according to the growth of the city, and then determined the rate of interest upon the fair value of the property?

Mr. OLDEN. No, sir; we did not compile it from that standpoint because we did not see any reason for this tremendous increase of from 12 per cent to 25 per cent or 100 per cent when the colored people go in there. The owner don't sustain that great loss in having those people go in there because those real estate men who spoke to me said, "We repair the property, whatever has happened to it during the year, or when somebody goes out," and he said, "It costs us about $80." A 25 per cent increase over a period of three or four years——

Senator KING. Do you not think it would be helpful to this committee if that data were obtained? Supposing you were the owner of one of these apartment houses and your tenants insisted that the rents were too high and this committee were attempting to determine whether they were or not, would you not insist that the committee take into account the value of the property, its market value, its reasonable selling price, where the owner was not compelled to sell and the purchaser was not compelled to buy; the amount of insurance, the cost of insurance, and the taxes, and all of those factors that determine profits and losses? Do you not think you would want us to make that inquiry before we gave a judgment as to whether the rents were too high or too low?

Mr. OLDEN. Yes, sir. We believe that you are going to obtain those facts. We took it up more from the standpoint of the tenant because the complaints came more from the tenants. We felt if real estate men were suffering as much as the tenants they would come and state their side of the situation too, and this investigation was instigated by some of the people who were being affected and one of the ministers who came and said he had seen a number of people put out of doors and something ought to be done. We started from that standpoint.

Senator KING. Did the investigation which you organization made show that many of the colored people were behind in their rent? That they defaulted; that many of them were affected because of their failure to pay rents or were they, generally speaking, as prompt in meeting their obligations as the whites?

Mr. OLDEN. I judge they are just about as prompt as far as I have been able to ascertain from conversation with real estate men.

Senator KING. Did you make any inquiry to ascertain whether there were many defaults by the negro tenants in the payment of their rents?

Mr. OLDEN. No, sir; the real estate men won't give you the facts you want. We tried to get a number of things from them but they won't tell you.

Senator KING. Will you please give us the names of some of the owners of some of these properties, because if my brethren agree with me, we will have some of those agents here to testify as to the the reason for the discrimination apparently between colored and white and the values of these properties, and so on.

Mr. OLDEN. I will look those up and give them to you.

Senator KING. Then hand them to the secretary, Mr. Ring.

Senator COPELAND. Does your memory go back to the time when we had the Rent Commission here?

Mr. OLDEN. Yes.

Senator COPELAND. After the hand of the Rent Commission was taken off the landlords, was there an immediate increase in rents?

Mr. OLDEN. I think so.

Senator COPELAND. During the time of the Rent Commission, did you have some relief?

Mr. OLDEN. The people are praying for the Rent Commission to come back—that is, the tenants are hopeful that you will reestablish the Rent Commission in order that they might have some place to go for redress.

Senator COPELAND. The feeling is that they did have that place at that time?

Mr. OLDEN. Yes, sir.

Senator COPELAND. Now, you have some other things you wanted to give us.

Mr. OLDEN. We looked into the other situation. I don't know whether you wanted to go into that or not. I might mention, incidentally——

Senator KING. Did you say this gentleman has a more detailed report?

Mr. OLDEN. Yes; he has.

Senator KING. We might get it from him, then. Is that all you care to testify to?

Mr. OLDEN. That is all.

STATEMENT OF ROY A. ELLIS, EXECUTIVE SECRETARY, THE BETTER CITIZENS BUREAU, WASHINGTON, D. C.

Mr. ELLIS. I am executive secretary of the Better Citizens Bureau and employed by the Government and I have been very much concerned with the matter of the——

Senator KING. What is your position in the Government?

Mr. ELLIS. Messenger to the Committee on Labor of the House of Representatives. That is my official status.

Senator KING. Now?

Mr. ELLIS. Yes; Mr. Connery, of Massachusetts, is my employer.

Senator KING. Are you from Massachusetts?

Mr. ELLIS. No, sir; from the District. I have lived here 20 years.

Senator KING. You must be a good Democrat.

Mr. ELLIS. I was appointed under Mr. Walsh.

I want to submit for your information certain facts at the outset with regard to the number of negroes in the District of Columbia. The present population is 132,068. That composes about 26.4 per cent of the total population of the city. There are about 29,000 negro families in Washington, 21,413 of whom are renters, tenants; 21,413 colored families renting in the District of Columbia.

Senator KING. Out of a total number of?

Mr. ELLIS. Twenty-nine thousand families out of a total of 132,068.

Senator CAPPER. The others own their property?

Mr. ELLIS. Seven thousand and some odd negroes own or are buying their property at present.

Senator KING. That about represents the proportion of whites.

Mr. ELLIS. It is a high percentage. As compared with other cities, the colored population of Washington, I say this without fear of contradiction, is the best set-up from an educational and living conditions standpoint of any city in the country. That includes New York City.

Senator CAPPER. What do you attribute that to?

Mr. ELLIS. To the fact that our school system is better organized as a general rule; that the appropriations for colored schools in Washington represent, I think, a little more than the other cities that have separate education.

Senator KING. That is because Senator Copeland and myself are on the committee.

Mr. ELLIS. The average negro family in Washington has about four persons in the family, 4.4 per family, in each colored family. I have prepared a statement here which, with the permission of the chairman, I would like to submit for the record.

Senator KING. What does it state?

Mr. ELLIS. It is a survey of these alleys particularly.

Senator CAPPER. Can you summarize what it attempts to state?

Mr. ELLIS. Yes. In brief, I want to make a short statement about the alley situation. I have been in the alleys for the last three days trying to get some first-hand data. I first went into Navy Place, located between Sixth and Seventh Streets, G and I, SE., and that place runs in two directions, north and south, east and west. They have there rows of little 4-room, 2-story brick dwellings. They are about to fall down, and these houses have no gas, no electricity, no baths, no running water in the house, and in most cases outdoor lavatories.

Senator COPELAND. But, they are occupied?

Mr. ELLIS. Yes. There are two vacancies there in the alley, only two out of about 50 dwellings, only two vacancies.

Senator COPELAND. Are they owned by colored people?

Mr. ELLIS. No, sir. The Washington Loan & Trust Co. owns or controls about a dozen of the houses in Navy Place and Caywood & Garrett have a few, and Donohue & Sons, real-estate dealers, own about three-fourths of the dwellings.

Senator KING. Are there any white people in there?

Mr. ELLIS. None, absolutely none. There is one Jewish store in there. You always find a Jewish store in a colored neighborhood. There is one Jewish store there in a little room about 8 by 8, and that is the community store I suppose up in Navy Place. He sells everything from house paint or shoes and shoe strings to an automobile. They rent from $8 to $13.50 a month.

Senator KING. How much space?

Mr. ELLIS. Four rooms, and some have five, but the rooms are very small and you can not get any more than an ordinary three-quarter size bed, a chair and dresser in any of the rooms, a kitchen table and small chairs.

Senator COPELAND. Do they have water?

Mr. ELLIS. There is water out in the yard. There is no water indoors.

Senator COPELAND. Do they have toilet facilities?

Mr. ELLIS. No; in the backyard.

Senator COPELAND. Is that universal?

Mr. ELLIS. Yes.

Senator COPELAND. How may people live in that Navy Place?

Mr. ELLIS. About an average of four to a family. Of course some families are larger. I should say 200 or 250 people easily.

Dixon Court in the southwest affords a very interesting yet vicious state of affairs. A dealer by the name of Quick has established a scheme of renting these alley shacks by the room and collecting the rent each week. A 4-room house is managed in the following manner; the front room on the first floor rents for $2.50 per week, the rear room on the first floor $2 per week, second floor front $2 per week and the second floor rear $2 per week.

Senator KING. Just state the facts.

Mr. ELLIS. Those who have rooms in the rear of the house and on the second floor must enter by the back door to the property, and the front-door entrance belongs to the person who happens to rent the front room on the first floor.

Senator COPELAND. How many persons in that alley?

Mr. ELLIS. In that alley they average about four.

Senator COPELAND. Are they all owned by Quick?

Mr. ELLIS. No, sir; a Mr. Turner controls some of them and I think Caywood & Garrett, real-estate dealers, have some of the houses up in this same alley and I think Donohue & Sons have one or two.

Senator KING. Who are they?

Mr. ELLIS. Real-estate dealers, but this man Quick rents these little 4-room dwellings by the room. That gives him about $36 a month off of each one of the little houses he rents in that manner. He don't rent all of his in that manner. These houses are actually worth about $500.

Senator COPELAND. We will have the assessment man find out about those, too.

Senator KING. Yes; indeed.

Mr. ELLIS. A colored man owns one of those houses and he paid $1,400 for it when values were high and that address is 654 Navy Place.

Senator KING. Are you speaking of the house or the land?

Mr. ELLIS. He bought the whole thing, the land and the house.

Senator COPELAND. How much income could he get from that?

Mr. ELLIS. $8 or $10.50 a month. The funny part of the situation is this, all of those flats are in the same condition, and have the same conveniences, which are none, and the rents vary from $8 to $15 and they are all badly in need of repair. Landlords won't do anything to any of them. It represents clear profit coming to them.

Senator CAPPER. It must be a very profitable investment.

Mr. ELLIS. It is. I would like to own about a block of them.

Senator CAPPER. How long have those conditions been going on?

Senator COPELAND. Ten years that I know of. I visited all those places.

Mr. ELLIS. You can go into Shotts Court, Balls Court, Temperance Alley, Reeves Court, and you will find exactly the same conditions existing in all of them.

Senator KING. Suppose the District had the authority, the legal right, to have those dwellings removed?

Senator COPELAND. All you have to do is pass the Capper bill.

Senator KING. Because of their insanitary conditions or for other valid reasons, what would become of those tenants there?

Mr. ELLIS. I propose that very thing.

Senator KING. Could they find other places?

Mr. ELLIS. Yes, sir; if they pay $36 for an alley dwelling they can get a house on the street for that.

Senator COPELAND. That is always the argument about the matter. If suddenly closed up, they would be dispossessed, such a large group of persons would be dispossessed and there would be no place to put them.

Why do they remain down there paying these prices?

Mr. ELLIS. I do not make any defense of the alley dwellers with regard to lawlessness. It has been said quite a bit of lawlessness comes out of the alleys, but I will say this, if you get those people out of the alleys you will improve their character as citizens.

Senator COPELAND. Do you not recognize it in your race, it is certainly true of white people, that to crowd families into conditions like that——

Mr. ELLIS. It breeds lawlessness.

Senator COPELAND. That is an attack upon the health, the morals, and citizenship, is it not?

Mr. ELLIS. Absolutely, sir.

Senator COPELAND. There is not any doubt of it.

Mr. ELLIS. I do know this to be true. that the average earning power of negroes in Washington is slightly in excess of $1,100 per capita and there are some colored people in this town paying rents in the uptown sections of $55 a month and their income is $1,100 a year; the apartment at 122 Kenyon Street, three years ago, three rooms, kitchen, and bath, rented for $55 a month. White people moved out two weeks before and the only improvements to the property were cleaning it and shellacking the floors and they paid $30 a month. The man who runs the store at Eleventh and Kenyon was the tenant.

Senator COPELAND. Your testimony is the same as your colleague's, that when the whites move out and the colored people move in——

Mr. ELLIS. That is the penalty of being colored, that you pay a higher rent.

Senator KING. Who was the owner of that building?

Mr. ELLIS. I do not know the owner, but the agent is Walter A. Brown.

The property I own on Ninth Street between T and U was assessed at $7,700 and it cost me $13,500.

Senator KING. It is not assessed very high?

Mr. ELLIS. No.

Senator KING. It is not assessed enough, then.

Mr. ELLIS. I don't think I got a bargain in it.

Senator COPELAND. You paid practically twice the assessed valuation?

Mr. ELLIS. I paid too much for it. The rent of it was $112.50 a month for five rooms and a store front there.

Senator KING. Is the store front there now?

Mr. ELLIS. Yes; I have a business there.

Senator KING. That adds to the value.

Mr. ELLIS. Yes. The house next door is a 2-story frame house about to fall down. Last year they had to build a fence to keep their yard from falling over into mine, and they get $42 a month for a 2-story frame house.

Senator COPELAND. Occupied by a colored family?

Mr. ELLIS. Yes; they could not rent it to white people. They would not have it.

Senator KING. Why were you so fortunate to have your property assessed at about 50 per cent?

Mr. ELLIS. It was bought in my father's name and my father has now passed along. I am an heir to the estate. I can't answer the question. Father died within the last year. I do know he paid that for it and that was the assessment.

Senator KING. Well, you know the claim is made, do you not, by some of the real-estate owners, the assessment is too high?

Mr. ELLIS. I am not acquainted with that branch of real estate.

Senator CAPPER. When the Government needs it they ask the Government two or three times as much as what it is assessed at.

Mr. ELLIS. I do not happen to be well acquainted with real estate.

Senator COPELAND. What taxes do you pay on your property?

Mr. ELLIS. $142.72 a year.

Senator COPELAND. Is it a paved street?

Mr. ELLIS. Yes.

Senator COPELAND. Was that pavement in there when you went there?

Mr. ELLIS. Yes.

Senator KING. Have you covered what you wanted to say?

Mr. ELLIS. Yes, except I have listed the facts with regard to these alleys and I would recommend to the committee in closing that some action be taken either to have the landlords of these properties in these alleys give the people something for their money, although it is small, but if you are paying $15 for a house you want some conveniences.

In Gordon's Alley a tenant said, "I want you to look down in my cellar," and I looked in and stepped down in the cellar and there were no steps. If you are going to charge those people money give them something for it.

There is a place in Dixon's Court where there is no toilet.

Senator KING. Is there a sewer in these alleys that they could connect with?

Mr. ELLIS. Yes, there is a sewer there.

Senator COPELAND. I have been agitating action as to these alleys ever since I came into the Senate.

Senator CAPPER. And he and I have been trying to get a bill out of this committee to cure the situation.

Senator COPELAND. It is a beautiful bill and has everything in it that ought to be there. It is an outrage against decency to permit these alley dwellings to exist. They ought to be dynamited.

Judge Cobb, is that his name?

Mr. ELLIS. Yes; James C. Cobb.

Senator COPELAND. Testified before our committee on appropriations, and he said, "I think that there are 18,000 domestic servants, colored, out of work, unemployed."

Mr. ELLIS. That is just about right.

Senator COPELAND. Is that situation increasing?

Mr. ELLIS. I would not say it is increasing very fast, very slowly.

Senator COPELAND. Where do they live?

Mr. ELLIS. I find they wander from one place to another, wherever they can get the cheapest rent, rooming, some of them have had homes and were compelled to go into rooming houses, and that results in congestion in the rooming houses.

The peculiar part of this situation is, talking about the depression and so forth, the colored man has been harder hit by the depression than the white people.

Senator CAPPER. A lot of white people have taken their jobs.

Mr. ELLIS. Yes, sir. I have known the time that jobs on Capitol Hill, messenger jobs, were traditionally colored. Poverty knows no color line.

Senator COPELAND. How soon are we going to have this first transcript? Is it to be printed promptly?

Senator CAPPER. Yes.

Senator COPELAND. Then, I would like to have this typewritten statement inserted in the record.

(The statement referred to is as follows:)

BETTER CITIZENS BUREAU,
Washington, July 27, 1932.

Mr. Chairman, gentlemen of the committee, my name is Roy A. Ellis, and I am executive secretary of the Better Citizens Bureau, which maintains its headquarters here in the city of Washington, D. C.

Some weeks ago a representative of our organization appeared before your committee to submit for your consideration testimony and evidence which materially concerns and vitally affects a group of citizens who constitute about 26.4 per cent of the total population of the Nation's capital. On that occasion the committee went into executive session after hearing one or two witnesses, and we were unable to lay before you this information, which we consider of great importance to this committee in its endeavor to satisfactorily adjust the scale of rents prevalent in the District of Columbia, and perchance acquaint you with the terrible conditions under which some of our citizens live.

I shall confine my remarks to one particular phase of the housing situation in Washington, and whereas it is not my aim to paint you a pitiable and pathetic picture of the suffering and want of this special group, I do want to forcibly impress upon your minds that there does exist here in the city of Washington a situation so appalling with respect to our civic pride and so acute in its application to health problems that it becomes a blight on the good record and reputation of our community. There are to-day 132,068 colored citizens in the District of Columbia, and I want to say at this point that there is a lower percentage of illiteracy among the Negroes of Washington than in any other city in the United States. I can truthfully say that our educational system is the most efficient to be found among Negroes anywhere in the country. However, we have here, as in other communities, an element which lives in side streets, alleys, and courts, and without going into the causes or reasons which force their occupancy of these undesirable sections and quarters, may I present for your information some of the facts concerning this type of life in the city of Washington?

In the past there have been suggestions of legislating out of existence these veritable slums, which are breeding centers of disease, immorality, and lawlessness, but as yet no definite action has been taken to this end; and may I say to the members of the committee at this juncture that the conditions in these hell holes are sufficiently pressing to call for immediate and drastic action of the Federal authorities?

I have personally made a survey, lasting several days, of about 25 alleys and courts, and I have found conditions deplorable from the point of sanitation; but, aside from this angle, it is inconceivable that these individuals are compelled to pay such exorbitant rents for the dingy quarters which they occupy.

I submit for the record the following data on a few localities:

Navy Place, between Sixth and Seventh Streets, G and I Streets SE., has about 50 of these alley dwellings. These houses range from four to five rooms, and rent from $10.50 to $13.50 per month. On the surface, this seems very cheap rent, and it is, but when you consider that these houses have no gas, no electricity, no baths, no running water in the house, and in most cases outdoor lavatories, the whole situation takes on an entirely different aspect. The landlords will not make any repairs, and a roof must be leak ng to the point of a deluge of water before the landlord will repair. The tenants informed me that they must pay for all their painting, papering, and general repairs, if they are to be done. I found one man who owned his own shack and he told me that he paid $500 for it some years ago when real estate values were high, but to-day, he would not give $250 for any of them. I asked him what these shacks would bring at sale and the old fellow told me that they couldn't be bought. The inhabitants of these dwellings represent the poorest element of the Negro group, principally common and unskilled laborers whose wages average about $12 per week. The rents collected from these houses represent a clear profit for the owner in the final analysis, for he has very small taxes to pay and he has little or no upkeep expense. The Washington Loan & Trust Co. owns or controls about a dozen of the houses in Navy Place, Caywood & Garrett have a few, but the majority belong to a Mrs. Dyson. I was told that Mrs. Dyson personally handled these properties until the death of her husband, and she then placed them in the hands of Donohue & Sons, real estate dealers. Mrs. Dyson rented these houses at from $5 to $7 per month, but as soon as the Donohue firm took them over they immediately raised rents to $12.50 and $13.50 per month. Along with this enormous increase there were no improvements to the property. One woman who has been a tenant for 16 years told me that the house had not been painted in 15 years. Another tenant of 29 years informed me that it is very hard to get the landlord to make any repairs; they will make many promises but actually do nothing. Some of the rooms of these houses are very small, about 8 by 8, and will hardly accommodate more than a dresser, a bed and a chair.

No. 220 Eye Street SE.: A 2-family brick dwelling containing three rooms in each apartment. The property has been allowed to run down and presents a general dirty appearance. They have gas, but the only heat is that supplied by a kitchen stove. These two flats rent for $22.50 each or $45 per month for a 6-room, poorly kept dwelling.

No. 212 Eye Street SE.: A frame house; no bath, coal-stove heat, outdoor lavatory, roof leaks, very cold in winter; house is old and badly in need of repair; rent, $20.50 per month.

No. 908 Second Street SE. (Edward Bozier tenant): Six rooms; kerosene light, stove heat, outdoor lavatory; six residents; rent, $15.50 per month.

No. 713 Delaware Avenue SW.: Two-story brick, two rooms on each floor; no bath, heated by kitchen stove, outdoor lavatory, no running water in house, kerosene light; rent $25 per month.

No. 613 Gordon Alley: Four rooms; stove heat, no bath, outdoor lavatory, hydrant in the yard, kerosene light and badly in need of repair; rent, $10.50 per month. Agent, Caywood & Garrett.

In this alley there are several landlords who handle the properties and it seems to be a matter of getting as much as they can for the houses. All of the dwellings are in about the same condition, and all have the same conveniences—which are absolutely none. According to these facts and circumstances there should be no discrepancy in the item of rent but I found that in some cases there was a difference of $4 in the rent of houses next door to each other. I discovered one or two which were in fairly good repair, but none of these dwellings can very well be called decent homes.

The following list will show some of the differences:

No. 609 Gordon Alley: Rent, $14; agent, Howenstein.
No. 611 Gordon Alley: Rent, $14; agent, Howenstein.
No. 603 Gordon Alley: Rent, $12.50; agent, Thomas E. Petty.
No. 605 Gordon Alley: Rent, $12.50; agent, Thomas E. Petty.
No. 610 Gordon Alley: Rent, $10.50.
No. 620 Gordon Alley: Rent, $13.50.
No. 601 Gordon Alley: Rent, $15; agent, Thomas E. Petty.
No. 604 Gordon Alley: Rent, $10.50.

Premises located at 217–227 Virginia Avenue SE.: Five apartments of four rooms each, formerly occupied by whites at $18 and $20 per month. Landlord attempted to raise rent to $35 per month and the white people objected. Landlord told them to move that colored people would pay it and to-day negroes are paying $30 per month for these properties. This information was furnished by a tenant.

Nos. 207–209 Virginia Avenue SE.: No heat, no facilities; rent, $22.50 per month each.

Nos. 920–922 Second Street SE.: Four room houses, no modern improvements, outdoor lavatories; rent, $20 per month; agent, Donohue & Son.

No. 232 E Street SW.: Three rooms; no bath, outdoor lavatory, water in yard, has not been painted in years, window panes out, owner will make no repairs, heated by kitchen stove; rent, $17.50 per month.

Dixon Court in southwest affords a very interesting yet vicious state of affairs. A dealer by the name of Quick has established a scheme of renting these alley shacks by the room and collecting the rent each week. A 4-room house is managed in the following manner: The front room on the first floor rents for $2.50 per week, the rear room on the first floor $2 per week, second floor front $2 per week, and second floor rear $2 per week. Those who have rooms in the rear of the house and on the second floor must enter by the back door to the property, and the front door entrance belongs to the person who happens to rent the front room on the first floor. There is a small coal stove in each room, lavatory in the yard, no water in the house, lamp light, no bath, and the houses are generally in poor condition. One woman showed me her receipt book in which the rent is recorded every seven days. You can readily see the proposition with which these people are faced, and this landlord is guilty of nothing short of robbery to charge such prices for these worthless, broken-down properties which have no conveniences. He derives $36 per month from premises 326 Dixon Court in this manner. Other houses in Dixon Court rent from $8 to $15 per month. Mr. Quick has office at 610 Sixth Street NW.

No. 814 Dixon Court has no lavatory. The one next door has a lavatory in the yard but the water is not running. Some of these places have no sheds or fences in the rear and the landlords refuse to make repairs or improvements.

Mr. Chairman, these conditions which I have cited exist in several sections of the city, and are practically the same in all alleys and courts. Not only do these conditions contribute to disease, but they do not present the proper environment for the small children who must of necessity be reared under these circumstances and, paramountly, something should be done to put an end to the policy of robbery which the landlords are practicing on these alley and court dwellers. If they consider the present rents fair, they should at least give the tenants something for their money in the way of repair and improvements. These conditions are not conducive to good citizenship, and it becomes the Congress to intervene in this situation and compel the landlords to stop robbing these people or improve these properties, and if not that, order their demolition. You will be doing the community and the occupants themselves a great favor, for the tenants might take more pride in decent living quarters.

My investigation took me to the following courts and alleys where conditions are just as undesirable and evilly managed as is true in the cases which I have already mentioned: Jackson Alley, Shott's Court, Ball's Court, Temperance Alley, Reeves Court, Snows Court, St. Mary's Court, Willow Tree Alley, and Goat Alley. One small, short street, formerly named Washington Street, which is populated by Negroes, was thought so unrepresentative of the beauty of the city, and so unbecoming the dignity of the name, that it has been renamed G Street Place—may I say, for the benefit, particularly, of our bicentennial visitors.

I have been unable to find another group who are being victimized and exploited as are the colored citizens of Washington in this matter of rents. Investigation shows that Negroes generally pay much higher rents for like properties than do white persons, and this is also true largely in the sale of property.

The property located next door to my residence is a 2-story frame dwelling, about to fall down, poorly kept, and rents for $48 per month. It has been recently painted for the first time in years. It has been by far the worst looking house in the block until the landlord recently dabbed it with a coat of paint on the outside.

A 10 per cent return on real estate is usually considered a fair margin of profit, but I charge most emphatically Mr. Chairman, that some realty dealers in the city are receiving far greater profits from the colored properties which they manage. Washington has 29,000 Negro families, of whom 21,413 are renters and 7,000 are home owners. This group of citizens do not get equivalent values either in rents or sales in the properties which they occupy.

In conclusion, may I say to the gentlemen of this committee that with the general conditions of poverty affecting the colored citizens, and we are harder

hit by this so-called depression than other groups, the meager salaries which the laboring element receives, there should be some corresponding reduction in the rents. I submit for your consideration particularly this problem of rents and conditions in the side streets and alleys. I ardently hope that you see fit to enact some legislation which will wholly remedy the situations which I have mentioned, thereby increasing and promoting good citizenship among the Negro population of Washington.

ROY A. ELLIS, *Executive Secretary.*

Senator KING. Is there anything else?

Mr. ELLIS. Nothing, except that something be done to rectify this condition.

Senator COPELAND. You are familiar with this bill that has been pending here a long time?

Mr. ELLIS. Yes.

Senator COPELAND. What does that mean—does it seem to you to be a good bill?

Mr. ELLIS. It certainly does.

Senator CAPPER. Has your organization or any other group among your people made any organized effort to cure these conditions?

Mr. ELLIS. Unfortunately, no; not that I know of. You will find public-spirited individuals here and they have tried to do something, but not as a group.

Senator COPELAND. What is the total population of the alleys?

Mr. ELLIS. I don't know the total population of the alleys. I contacted about 250 of them within the last three days.

Senator COPELAND. Are there 1,200 people?

Mr. ELLIS. Yes; more than that. They run on the average in these alleys, from 25 to 50 dwellings, and with an average of 4 per family you have about 200 or 250 in each of these alleys. I dare say you have about, easily, 2,000 people living in the alleys and courts.

Senator COPELAND. What is the mental attitude of these alley dwellers, are they satisfied to stay there?

Mr. ELLIS. If you have nothing and can't go anywhere else you have to stay there.

Senator COPELAND. Let us be honest between the races and man to man. Our experience in New York is that a great many of the slum dwellers love it. They would rather have it. If you move them out of the slum dwellings to a little apartment with a bath and go around next Sunday to see how they are getting along they are not there. They have gone back. Is that the attitude of the people?

Mr. ELLIS. That is not the universal attitude. There are a number living in these alleys who have lived there 29 years and some have lived there 16 years and some in other places 16 months or 18 months or two years, and they go some place else. Even those people in the alleys are constantly beseeching the landlords with requests for painting, plastering, papering, "Will you put us in a bathroom, and so on." I do not think they are all totally in love with their conditions, that they are so far satisfied. I think if they had any kind of improvement in the property they might be a little more content to stay in the alley and probably would not make any effort to come out of it.

Senator CAPPER. Do you bring this matter to the attention of the committee by the request of these alley dwellers themselves or are you interested in the welfare of the race?

Mr. ELLIS. My own interest with regard to the race.

Senator CAPPER. You know they are content with the situation they have?

Mr. ELLIS. No; I would not say they are content. I would say they are very much dissatisfied.

Senator CAPPER. They have not appealed to the committee to reduce these rents.

Mr. ELLIS. If this committee worked 50 years you would never get a protest from them. They represent the poorest group of our people and the most illiterate group of our people, the ambitionless group, if you please. If we do not try to improve their conditions I dare say you will not receive a complaint from them.

Senator CAPPER. We have not received a single complaint.

Mr. ELLIS. And you won't.

Senator CAPPER. We all admit it is a deplorable situation.

Mr. ELLIS. You ask them questions and they will tell you in a minute how bad conditions are.

Senator COPELAND. I went through all these alleys and they pointed out to me the insanitary conditions, and so forth.

Mr. ELLIS. They will ask you into the houses and show you the ceilings that permit plenty of sunlight and water to come in when it rains.

Senator COPELAND. Does it not strike you as deplorable to think that within gun shot, not rifle shot, of the Capitol of the United States, that there are places such as we have heard described here to-day?

Mr. ELLIS. Yes.

Senator COPELAND. It is an outrage against decency and against civilization and against our citizenship to think it is possible.

Senator KING. I think we ought to have Mr. Ring get the names of some of these landlords and bring half a dozen of them in.

I wonder if there are some ladies here, mothers perhaps, who came here at great inconvenience, and would like to make a statement before we adjourn?

Senator CAPPER. We have not much time left.

Mrs. LEVEY. If there is not any other tenant, I would like to speak as an owner.

Senator KING. Are there any tenants here who would like to be heard this afternoon, briefly?

Mrs. LEVEY. While that one you called is coming to the table, may I volunteer an answer to Senator Copeland's question?

Senator CAPPER. We will hear you in just a moment, madam.

STATEMENT OF SYLVESTER L. McLAREN

Senator KING. What is your name?

Mr. MCLAREN. Sylvester L. McLaren. I am in close touch with the churches, and the churches are doing all that they can, Senator, to alleviate these conditions.

Senator COPELAND. Have you any church members down in those alleys?

Mr. MCLAREN. There are a great number of them and Sunday-school children. Being a Sunday-school superintendent for about 17 years I know what comes out of the alleys in the way of children and I stay in close touch with the church and the church is doing all that

it can to alleviate these conditions. They visit in there and they have little community centers for the purpose of training them and teaching them and protecting them the best they can and even contribute to help out in these dejected homes in the alleys.

Senator KING. Well, I think there is a broad field for the colored churches to work in and look after.

Mr. MCLAREN. And it is working assiduously in that field.

Senator COPELAND. Have the conditions down there been benefited since we had prohibition?

Mr. MCLAREN. Yes, the conditions, I must say, everywhere have improved since we have had prohibition. We have not had prohibition. We have not had it executed, but conditions have improved everywhere under prohibition. Prohibition ought to stand.

Senator COPELAND. There is less drinking now among the people than there was before prohibition?

Mr. MCLAREN. Why, there is less drinking, I believe, among them since prohibition.

Senator KING. Are there not more bootleggers among them than there ever were?

Mr. MCLAREN. There are more bootleggers than ever because of the existing situation. There was no occasion for bootleggers when the saloon doors were wide open. That is the only reason but more nefarious conditions obtained and more money was spent for liquor.

Senator KING. I think some of you preachers and colored ministers better pay a little more attention to the colored people in these alleys.

Senator COPELAND. He says they are doing that. It is a hard, uphill road.

STATEMENT OF SAMUEL S. TAYLOR

Senator KING. What is your name?

Mr. TAYLOR. Samuel S. Taylor.

Senator KING. And your address?

Mr. TAYLOR. 635 Sixth Street NE.

Senator CAPPER. What is your occupation?

Mr. TAYLOR. I am a carpenter by trade.

Senator CAPPER. We would be glad to have a statement from you if you are interested in the matter of rents.

Mr. TAYLOR. The lady next door sent a statement in from a couple of those houses there in the same block.

Senator COPELAND. What block?

Mr. TAYLOR. The six hundred block of Sixth Street NE. It is between Morris Place and G.

Senator COPELAND. Is it an apartment house?

Mr. TAYLOR. No; just a dwelling.

Senator COPELAND. Are the rents too high?

Mr. TAYLOR. I think so.

Senator KING. You live in a private house?

Mr. TAYLOR. Yes; six rooms and bath, and I think it is getting very unsatisfactory. The paper and plaster was bad when I moved in there and I ascertained last night from my neighbor that his tax on his place was about $80 for water and for tax.

Senator KING. Well, how many renters are there in the house you speaking of?

Mr. TAYLOR. Just myself and my wife.

Senator COPELAND. How much do you pay rent?

Mr. TAYLOR. $50.

Senator KING. For six rooms and bath?

Mr. TAYLOR. Yes.

Senator KING. Well, can you complain that is too high?

Mr. TAYLOR. I think so.

Senator CAPPER. Have you looked for a decrease in your rent? Have you asked for a lower rent?

Mr. TAYLOR. Yes, sir: I have.

Senator CAPPER. What did the landlord say?

Mr. TAYLOR. He said he would not lower the rent but would rather do some repairing but has not done any repairing yet.

Senator KING. How large is the house?

Mr. TAYLOR. Not so very large.

Senator KING. How large is it?

Mr. TAYLOR. I didn't measure it.

Senator COPELAND. Six rooms?

Mr. TAYLOR. Yes, but the rooms are not large.

Senator KING. You occupy the whole house?

Mr. TAYLOR. Yes.

Senator KING. Then you have a whole house, six rooms and bath, for $60 a month?

Mr. TAYLOR. $50.

Senator KING. I thought you said $60.

Mr. TAYLOR. $50 a month.

Senator KING. What kind of a house is it; brick?

Mr. TAYLOR. Yes; a brick house.

Senator COPELAND. Have you any idea how much that house is worth?

Mr. TAYLOR. I don't think it is worth over $6,000. There is no yard to it, just a little bit of a yard in the back, and a very small one in the front. If you ever have been down Sixth Street, you can see what it is like.

Senator KING. Well, supposing it is worth $6,000. That is $600 a year you pay rent?

Mr. TAYLOR. Yes.

Senator KING. Do you know the taxes on that?

Mr. TAYLOR. The taxes run about $80. The one next door runs that.

Senator KING. Insurance?

Mr. TAYLOR. I don't know.

Senator KING. Water?

Mr. TAYLOR. The water would be $8.

Senator KING. A year?

Mr. TAYLOR. Yes, or $8.50.

Senator KING. And what other expenses are there, upkeep?

Mr. TAYLOR. They don't do any upkeeping.

Senator KING. How long have you been there?

Mr. TAYLOR. Since December 1. It was hot air and he put in hot-water heat last fall and raised the rent.

Senator KING. How much did that cost?

Mr. TAYLOR. I don't know.

Senator KING. Several hundred dollars?

Mr. TAYLOR. It is a Red Jacket boiler, about $350.

Senator CAPPER. Rents are remaining about the same?

Mr. TAYLOR. He raised the rent. I understand the other party in there before me was getting it cheaper.

Senator COPELAND. How long have you been in that house?

Mr. TAYLOR. Since December 1.

Senator COPELAND. How long have you lived in the District?

Mr. TAYLOR. Since 1918.

Senator COPELAND. Did you see any change after the Rent Commission lapsed? Did you get jumped in the rents then?

Mr. TAYLOR. Yes, sir.

Senator COPELAND. Your view is that the Rent Commission was helpful?

Mr. TAYLOR. Yes; and the rents went up lots of places in the last year. They thought because this was bicentennial that was the time people would want rooms and thought they could raise rents.

Senator CAPPER. Rents have gone up?

Mr. TAYLOR. Yes; indeed. They went up in the last year, I believe, more than they were ever reduced.

Senator COPELAND. Has your income increased in the last year?

Mr. TAYLOR. No; decreased.

Senator COPELAND. At the same time your income is decreased the rent is increased?

Mr. TAYLOR. Yes.

Senator KING. Supposing that is worth only $6,000. There is a deterioration every year of 2 per cent or 3 per cent. The taxes are $80, you think, $8 for water?

Mr. TAYLOR. I said $80 for the water and tax; about $72 tax.

Senator KING. All right, $72. What is the insurance?

Mr. TAYLOR. I don't know what the insurance is.

Senator COPELAND. The rate, Senator King, is not excessive if it were a first-class house.

Senator KING. I know there is a difference. Have you any idea what it should be?

Senator COPELAND. About $8.

Senator KING. There is about $80 for taxes and then the insurance and water tax. Now, they get $600 a year. Now, $80 comes out of that. That would be $520, and, of course, there are repairs and deterioration.

Senator COPELAND. They have not made any repairs since the fall.

Mr. TAYLOR. These people don't do any repairing.

Senator KING. They put in something that cost $350.

Mr. TAYLOR. That was just for the heat. I know the party that rents from the same party that has the second house below.

Senator KING. Do you not consider that cost something?

Mr. TAYLOR. Of course, that cost something. Those people asked the man to lower the rent and he told them if they didn't like it they could move out.

Senator KING. I am trying to figure about the return of income, interest on that investment which the man would have after deterioration and all those costs.

Senator COPELAND. What does it figure, about 5 per cent?

Senator KING. I should judge about 5 per cent or 6 per cent, along there. Then, you have the repairs.

That is all.

STATEMENT OF MRS. GEORGE W. LEVY

Senator CAPPER. Give your name, please.

Mrs. LEVY. Mrs. George W. Levy.

Senator CAPPER. Where do you live?

Mrs. LEVY. 69 New York Avenue NW.

I think you have a letter of mine. Mr. Chairman and Senators, I am here not only in behalf of the apartment-house owners and private dwellers and also in the interest of tenants. While you had your Rent Commission during the war, we found it very, very agreeable, and we rented our apartments at that time for $62.50. The buildings were purchased for from $72,000 to $75,000.

In 1925 there was a panic which we all know of, a silent panic, and without any kick or request I reduced our rents from the $85 for five rooms to $65 and the three rooms to $48 on the south side of the building, and $45 on the north side of the building.

Senator CAPPER. How many apartment have you?

Mrs. LEVY. Sixteen in each of the dwellings in that particular neighborhood. We have others but I have only quoted those two. The others have been reduced.

Senator KING. Do you own those?

Mrs. LEVY. Yes.

Senator KING. How many buildings are you interested in?

Mrs. LEVY. Three apartment houses and several small dwellings.

Senator KING. How many apartments in each house?

Mrs. LEVY. Sixteen in one and 15 in the other, and we have reduced those apartments. I furnish some and those that are furnished, there is only a $10 additional charge, and the furniture is not inferior furniture.

You speak of Government employees. I would like to speak for the owners. The owners mother all Government employees. You can not find rooms with electric refrigeration, three rooms, equipped with everything in the kitchen, outside of their meals, for $48.

Senator CAPPER. How long has that been the rate?

Mrs. LEVY. Since 1925. The $65 on the south side has been since 1928. They were $85 at the time of purchasing them.

Senator KING. And you reduced them?

Mrs. LEVY. Yes.

Senator CAPPER. Do you have any difficulties?

Mrs. LEVY. I have never had a vacancy since 1928 until the agitation for the rent commission and the people have said, "If you don't drop them, we will move." I was sorry to lose tenants and I have had to ask them to vacate, three of them. One was transferred. When men work for the Government, we immediately release them from their lease. That clause is always in the leases. If the rent commission would come back, I think we could raise our rents a little higher. It is not an ordinary situation.

Senator COPELAND. Don't you think probably you are a model landlady?

Mrs. LEVY. I think so and think our tenants think so. I have made a close survey of the average prospective tenants that come into Washington and that invade our places. We stand the loss and repair and when they refuse to pay our rents the Government will not allow us to attach their salaries. That means we lose, and

if we get a man out of a job we carry him over out of sympathy. Sometimes he pays us the back rent and more than likely he does not. That is all lost.

Speaking about furnished apartments, we do the same thing, and I like the committee to inspect those buildings and see how they are furnished.

Hundreds of prospective tenants passing through the city will come in and say, "We are from the West and we get 20 cents an hour and we have come to Washington because we find there is a haven here." But, they will not pay the rents and oftentimes when they get an apartment they want to sublet it and we allow them to do that, anything to let them get along. I think it would be a wonderful thing if you would investigate that thoroughly.

We have to pay an extra premium for the word "Yes," when we want our mortgage renewed. I happen to be very fortunate and so far have been able to get my loans from $40,000 to $50,000, which is quite a good thing to get in these times.

Senator KING. I do not understand your comment about this. You have to pay more when you are borrowing?

Mrs. LEVY. When you have your loan in an insurance company or in the bank they ask you when your time expires, it is three years, and without handling that further, but for the single word "Yes," we will renew that, on the $40,000 you pay $400 and you have no further trouble, but simply sign the same notes.

Senator COPELAND. That is the little bonus you pay?

Mrs. LEVY. That is the little premium. If you come back to the Rent Commission I think it will help not only the tenants but the owners.

At the time of purchase it was $441 for taxes and to-day it is $1,111.

When I hear apartment house tenants say they are exorbitant, I do believe a great many are paying exorbitant prices when they pay $75 or $80 for two or three rooms when they can get them for less. They will not avail themselves of the properties that are vacant. There are hundreds of vacant apartments and I speak for several apartment owners and I will furnish you their names any time you like and I am sure we deserve a little courtesy as well as the tenants.

In 1924 rents were exorbitant and the cost of buildings at that time was $70,500. It cost me $2,500 to have refrigeration put in so I added that to the cost.

Senator KING. For the two buildings?

Mrs. LEVY. No; for one building. Each building cost that. I invested $30,000 cash in each building.

Senator KING. Then borrowed?

Mrs. LEVY. Then borrowed $40,000, and the rents have been paying the rest.

Senator COPELAND. You get along with the bankers all right if you pay them the $400 bonus?

Mrs. LEVY. I don't pay the banks any bonus at all; I just pay them 6 per cent.

Senator COPELAND. Who gets the $400?

Mrs. LEVY. The insurance company and the real-estate office when they handle the mortgage. The insurance companies and so on have their representatives here and they loan the money, but when you renew it with the bank they do not pay a premium.

Senator COPELAND. You are talking about second mortgages?

Mrs. LEVY. No, sir. That is a first mortgage.

Senator COPELAND. The first time you borrowed, you borrowed $40,000, you pay $400 bonus?

Mrs. LEVY. No; not the first time. You pay 2 per cent.

Senator KING. That is $800.

Mrs. LEVY. Yes.

Senator COPELAND. That is, a 3-year loan?

Mrs. LEVY. I paid 1½ per cent because I got it for five years and then on renewal of the five years I had to curtail $5,000. If I did not curtail $5,000 I would not have made my loan. That is with the real estate company. The real estate company represents the insurance company.

Senator COPELAND. By the insurance company you mean the lending company, like the Metropolitan Life or some concern like that?

Mrs. LEVY. Yes; and a private individual will do the same thing.

Senator COPELAND. Let us get this clear. For the first $40,000 you paid $800 bonus?

Mrs. LEVY. One and one-half per cent. I paid $600.

Senator COPELAND. Yes. Then three years later you paid $600?

Mrs. LEVY. Three years later—I got that for 5, but at the expiration of that period when I wanted to have it renewed I paid the $400 premium.

Senator KING. And the interest at 6 per cent?

Mrs. LEVY. Semiannually you pay interest.

Senator KING. At 6 per cent?

Mrs. LEVY. Yes; I beg your pardon, 5½ per cent.

Senator COPELAND. Are these loans usually made for a 3-year period?

Mrs. LEVY. From three to five years, depending on who makes the loan. They like the 3-year loan.

Senator COPELAND. They get the bonus earlier?

Mrs. LEVY. Yes. We are trying to fight for the 5-year if I can possibly do that.

Senator CAPPER. Would you mind telling the committee whether your apartment houses have proven a satisfactory investment?

Mrs. LEVY. Of course, they have proven a very slow investment because we have reduced the rents $4,600 during the years.

Senator CAPPER. Since what time?

Mrs. LEVY. Since 1925. Instead of the apartments bringing $11,600 a year as they did when I purchased them, they bring $7,600.

Senator CAPPER. Is that cost of operating including interest and taxes and insurance as great now as then?

Mrs. LEVY. It is far greater now. You find people are unemployed and labor has been reduced, but when you go to have your work done you will find that a man wants just as much to-day as years back.

Senator COPELAND. Have your taxes doubled?

Mrs. LEVY. They were $441 when purchased, and $811 to-day.

Senator CAPPER. Please tell the committee what your investment now will pay you on what you have invested in the property.

Mrs. LEVY. On what we have now it does not pay us 3 per cent.

Senator CAPPER. How much?

Mrs. LEVY. Three per cent.

Senator COPELAND. Liberty bonds would be better than that.

Mrs. LEVY. Yes, sir. They would be tax exempt; if I had it to do over again—in fact, we took $15,000 out of the Liberty bonds and placed it here, to my sorrow.

Senator KING. Do you find many of your tenants who do not pay you? Do you lose anything?

Mrs. LEVY. Oh, yes, a great many. We have a loss of about 20 per cent.

Senator KING. Twenty per cent?

Mrs. LEVY. Yes.

Senator KING. People who don't pay?

Mrs. LEVY. Yes; nonpayment.

Senator KING. Now, take the nonpayment because of defaulting tenants plus the vacant apartments.

Mrs. LEVY. Yes.

Senator KING. And what does that amount to?

Mrs. LEVY. Thirty per cent since 1928. Since that time I have only had one vacancy—two months—but since our rent commission is again going into promise I have had four in each building. The average person will come by and say, "These are beautiful. These are the best I have seen but we will wait until Congress acts on the rent question. There is going to be a 50 per cent reduction."

Senator COPELAND. Fifty per cent?

Mrs. LEVY. Yes. I think the Times issued a statement that there would be a 50 per cent reduction. Of course, we could not think of doing such a thing. We operate the electric refrigeration on our own current. We pay for that.

Senator COPELAND. Well, madam, I am afraid that you are a model landlady. I do not think you are the kind we are seeking.

Mrs. LEVY. I want to thank you for that.

Senator CAPPER. You show an unusual ability to handle property.

Senator COPELAND. I am going to put her in charge of mine.

Mrs. LEVY. I wish I could do that. I would be honored, I am sure.

I would like to find out if you are just having your senatorial committee or have they a tenant and owner on your committee or just the Senators who are doing the investigating?

Senator KING. We are the investigators.

Mrs. LEVY. Then, I feel sure no partiality will be shown.

Senator CAPPER. What suggestion would you make to the committee?

Mrs. LEVY. Just one thing, that you advertise in the Washington Times and the Hearld and over the radio that the average layman is misconstruing things and that where people are getting the proper reduction in their rents and proper rents and janitor service and electric refrigeration in modern buildings on high elevations that rents of two rooms, kitchen and bath of $60 or $50 are very reasonable, and if you quote that statement, Mr. Chairman, I am sure most of the tenants will be satisfied and you won't have such a crowded hearing room. Thank you.

Senator KING. I move we go into executive session. The committee is very much obliged to you.

Senator CAPPER. We are going ahead and do the best we can to thoroughly inquire into this whole situation and we have a good deal of time ahead of us. As a matter of fact, the committee can not do anything other than report to Congress and recommend to these landlords and apartment house owners that they recognize the situation we have and ask them to be as liberal as they can so far as their rentals are concerned.

Now, then, the committee will go into executive session.

(Whereupon, at 5.30 o'clock p. m., the committee went into executive session.)

RENTS IN THE DISTRICT OF COLUMBIA

FRIDAY, SEPTEMBER 9, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
OF THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to call, at 2.30 o'clock p. m., in the committee room, Capitol Building, Hon. Royal S. Copeland presiding.

Present: Senator Copeland (temporary chairman) and O. H. Brinkman, Esq., counsel for the subcommittee.

The subcommittee proceeded to the consideration of Senate Resolution 248, and the following proceedings were had:

Senator COPELAND. Ladies and gentlemen, this is an adjourned meeting of the subcommittee appointed by the Senate to investigate rentals in the District of Columbia. Senate Resolution 248 gives us official sanction for our acts.

I hold in my hand the record of the meeting held on September 2, 1932, at the offices of the real-estate board. Mr. Brinkman was there, representing the subcommittee, and various representatives of the real-estate interests were present. I suggest that this record be made a part of the permanent record of the committee.

(The matter referred to is as follows:)

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C., Friday, September 2, 1932.

The hearing in the above matter was resumed, pursuant to adjournment, at the offices of the Washington Real Estate Board, 1417 K Street NW.

Present on behalf of the subcommittee, O. H. Brinkman, Esq., its counsel; and J. F. M. Bowie, representing the real-estate board, as its president, and the H. L. Rust Co.; Mr. Bell, representing B. F. Saul Co.; Mr. Rush, secretary Washington Real Estate Board; Messrs. Murray and Smithy, representing the H. G. Smithy Co.; Mr. Shea, representing Bliss properties; and Mrs. S. N. Richards, assistant secretary of the real-estate board.

Mr. BOWIE. Mr. Brinkman, we have received your letter and it contains a great many questions that we can not answer; many of them relate to very intimate matters that the owners would doubtlessly censure us for giving to you information concerning, and we would like for you to indicate, if you will, what you would like to show, and what you want to show in this survey that you are making.

This group that you see is gathered together for the first time. We have never discussed your letter together; we have never discussed any proposed substitution for it.

If you can indicate to us what you desire to show, we will be glad to get it, have other meetings, determine what we can answer and what we can not answer, and submit to you a set of questions that we feel will cover the purpose that you have in mind, and at the same time be questions that we can answer.

I have particular reference to your questionnaire, so to speak, or the lack of any information or questions concerning the upkeep or cost of maintenance or net return to the owners of these various properties; and I think we all agree that a survey made without that information would certainly be incomplete. If you can indicate and will indicate what you desire to show, we will be very glad to get together as soon as we can, without your being present, and try and work this out.

Mr. BRINKMAN. Well, is it understood that we are to make a record of this hearing?

Mr. BOWIE. We would like to have a record of the questions, that is, a record of the purposes that you want to show by these various questions.

Mr. BRINKMAN. Well, but we are to have a record of this whole discussion.

Mr. BOWIE. The record will not go any further than your indicating just what you desire to show in the questionnaire.

Mr. BRINKMAN. As long as we are making a record, I do not mind proceeding and discussing the matter with you.

Mr. BOWIE. If you will, we will proceed as I indicated in my statement.

Mr. BRINKMAN. Well, we will proceed, as far as I am concerned, as long as we are making a record of the proceedings. If there is not to be a record of the whole proceedings, I will not proceed, as far as I am concerned.

Mr. BOWIE. Well, the proceeding will not progress to a discussion of any questions.

Mr. BRINKMAN. I do not know just what you mean by that; but let me ask, in the first place, Mr. Bowie, if your letter of August 31, signed by you as president of the Washington Real Estate Board, is to be taken as the answer of the H. L. Rust Co. also?

Mr. BOWIE. It is to be taken as a communication from the Washington Real Estate Board.

Mr. BRINKMAN. The letter that I addressed to you was addressed to the Rust Co., and this answer here [indicating] is on the letterhead of the Rust Co. You are an officer of that company. I had no other answer from the Rust Co.

Mr. BOWIE. It is self-explanatory, I think, if you will read it.

Mr. BRINKMAN. Well, I would just as soon read this into the record, your letter of August 31.

Mr. BOWIE. I have no objection to its going into the record.

Mr. BRINKMAN. Very well; it is as follows:

H. L. RUST CO.,
Washington, D. C., August 31, 1932.

Mr. O. H. BRINKMAN,
Counsel for Subcommittee of the United States Senate Committee of the District of Columbia,
Washington, D. C.

DEAR SIR: At a meeting of the board of directors of the Washington Real Estate Board, held this date, and at the request of several of our members, your letter of August 27 was given consideration.

It is the opinion of our board of directors, and I am directed to advise you, that the questions you propound can not be properly answered by our members.

Having promised the chairman of the Senate District Committee the cooperation of our board, we will be glad to have a group of our members meet with you and endeavor to formulate such questions as will give you the information you desire and at the same time reflect a complete picture of conditions with reference to apartment house rentals in the District of Columbia.

Very truly yours,

J. F. M. BOWIE,
President Washington Real Estate Board.

Now, you say in this letter, "It is the opinion of our board of directors"—that is, the board of directors of the Washington Real Estate Board, that the questions propounded by me can not be properly answered by your members, meaning the members of the Washington Real Estate Board. I think we can simplify and abbreviate this discussion by going over these questions, one by one, and seeing what there is about any question that you may find it difficult to answer, or which is improper, if you want to say any is improper.

Mr. BOWIE. We have been over those questions, Mr. Brinkman, as I stated, and we do not think that we can answer; we know we can not.

Mr. BRINKMAN. Well, now, there are 11 questions: would you say that you can't answer any of them?

Mr. BOWIE. Some of them we can; but as I have stated to you before, we do not propose at this time to discuss the questions, themselves.

Mr. BRINKMAN. What do you propose to discuss? It was not clear to me what you do propose to discuss.

Mr. BOWIE. I am sorry that I did not make that clear to you. We wish you to indicate what you desire to show by these questions.

Mr. BRINKMAN. I do not desire to show anything, Mr. Bowie. I desire to secure this information for the use of the subcommittee. This information is needed by the subcommittee to comply with Senate Resolution 248 of June 27, 1932, and is only a part of the information that we will ultimately need. Some of the information we will gather, ourselves, from other sources, but this information is needed as a part of the whole survey of the rental situation here, and its bearing and purpose will become apparent later as the hearings develop.

Now, as to the question of profits and losses and incomes of the properties, in due time I think that the subcommittee undoubtedly will give the owners or agents of the properties an opportunity to present their case from their standpoint, in case we take up any particular building, or any particular group of houses. But at this time we are not calling on the real estate agents and owners to furnish information as to the income and expenditures—that is, the balances of income and expenditures.

What we are asking for here is information as to the rents, so that we can make a comparison between the rents now and a year to two ago. We realize, of course, that the question enters of certain expenditures and that gross income is not net income; but at the present time, we do not need information as to net income. That may be developed later as to the individual properties, but we do not want to impose the burden upon you, at this time, of furnishing the exact information as to net income for each property in the city.

We may select only a few properties, or we may select a group of properties, or we may select properties in each section of the city, and then determine the net income and the investment, and so on. But at the present time, we do not need that information.

This is what might be called a preliminary investigation, or preliminary information. The other information we may get from sources of our own, without troubling the agents and the owners.

Mr. BOWIE. That is just the point that some of our members are making. At the request of the Senate District Committee, we made a very voluminous report to the Department of Justice, and——

Mr. BRINKMAN. I want to correct you there. The request was not made by the Senate committee, it was made by the Department of Justice.

Mr. BOWIE. At the behest of the Senate District Committee, and at the request of the Senate District Committee.

Mr. BRINKMAN. Well, I have no access to those reports; I do not know what they are; I have not seen a single one of them, and I have no idea whether they contain this information or other information. If they contain this information I have asked for, then there should be no difficulty in simply making a copy and submitting it to us; but if it does not contain this information, then it is of no particular value to our subcommittee. We are working independently of the Department of Justice in this matter.

Mr. BOWIE. Do you not think it would be worth your while to look into it?

Mr. BRINKMAN. We know, as a matter of fact, that the Department of Justice has discontinued or suspended, for the time being at least, its investigation, pending the outcome of our own. So that, of necessity, we are obliged to ask for the information that we need, rather than rely on the Department of Justice.

Mr. BOWIE. Do you think that you should put the brokers of Washington to trouble of duplicating the work?

Mr. BRINKMAN. I do not know that there is any duplication. If there is any duplication, then it would be a very easy matter for you to submit the information you have already supplied to the Department of Justice, which would simply be a matter of submitting a copy, if it is a duplication; but I doubt very seriously whether it is a duplication. All through this list of 11 questions——

Mr. BOWIE. I can tell you that there is.

Mr. BRINKMAN. Well, it will be a matter of no particular expense to copy off any such information as you furnished to the department, where there is duplication of the information we ask for.

Mr. BOWIE. It would put us to the trouble of duplicating it, though.

Mr. BRINKMAN. I supposed you had copies of it.

Mr. BOWIE. We would have to duplicate or copy it.

Mr. BRINKMAN. Well, you can give me those, if you want to, and I will have it copied.

Mr. BOWIE. You say you are going into the question of maintenance and net income to the owners at a later date?

Mr. BRINKMAN. Yes.

Mr. BOWIE. And put us to the trouble of compiling that in a separate questionnaire. We want to help you, Mr. Brinkman, but we want you, at the same time, to have some consideration for the cost of compiling these data that you are asking for; and for that reason,

we want one job made of it, we want it made as simply as possible, and we want questions that we can answer.

Mr. BRINKMAN. Well, of course, if I were to ask you now for the additional information that you suggest, that would put a much greater cost on the members. I am trying to keep the cost down as much as possible. I anticipate that the cost of answering these questions as to each apartment house will not be in excess, perhaps, of $1.

Mr. BOWIE. What we want to do is eliminate some of the questions in your letter that appear to us to be totally irrelevant.

Mr. BRINKMAN. That is why I suggested, in the beginning, that we go over these questions one by one, and then discuss them in that way.

Mr. BOWIE. If you will indicate, as I requested in the beginning, just what you desire to show, I think that we can formulate answers that will give you the information that you want in a way acceptable to you, at the minimum of inconvenience and cost to the brokers of Washington.

Mr. BRINKMAN. Well, I think you understand, Mr. Bowie, that the Senate committee is not particularly interested in the minimum cost; it is interested in getting the information that is required by the Senate under its resolution, which was passed unanimously.

Now, the Senate committee is going to get that information one way or the other; it has full authority to get that information; and while we are trying to hold down the cost to the very minimum, we think at most it will be a small amount for each apartment.

The committee can not accept the dictates of this board as to what information it shall accept, or shall secure. It has entrusted me with the responsibility of securing the information which is pertinent to the question of whether rents here are too high, and in carrying out that responsibility I have asked for this information which I believe to be necessary and pertinent.

I will be glad to go over this list of questions in detail, and discuss each one; but we can not permit the real estate board to dictate the sort of questions that we are going to ask.

Mr. BOWIE. We do not want to dictate the sort of questions that you want to ask, but I can tell you now that to get answers to the questions that you have propounded, you will have to summon us and the owners of the properties and many others interested before your committee, in order to get it, because we have not got it.

Mr. BRINKMAN. That is why I want to go over these questions in detail, and see where it is that they are lacking, and if we can do it, perhaps we can excuse you from furnishing some of the information. Do you want to go over the questions, one by one?

Mr. BOWIE. I would like you to indicate what you desire to show, so that we can ourselves formulate a list of the questions that we can answer.

Mr. BRINKMAN. What I want, Mr. Bowie, is exactly what has been asked for in this letter. I may say that, to save you some time and trouble, on question 5, where we ask for the scale of rents of each property, showing amount for each unit, and total rent for building if all apartments and other rentable space were rented, you can group the apartments, for instance, or have them grouped. For instance, if you have fifteen 2-room apartments in a building, it is not necessary

to say apartment 101, 201, or 301, and so on, but simply say 15 apartments at $60, 18 apartments at $90, or whatever the number of units may be.

It is not necessary to number the apartments or the units and give information as to each individual apartment or unit. That might simplify it a little bit for you.

Some of those to whom letters were sent have already sent in their answers, complete in every detail, and I notice that they have shown each apartment separately, which is not necessary.

Then, on question 6, where I ask for the scale in 1929 and 1931, if different form the present scale, if you find that is too much of a burden, we might excuse you from showing the scale in either of those years and ask you for but the year 1930, if that would simplify matters for you.

But outside of that, I think, I want the information called for, and that information is necessary and will be useful to the subcommittee.

I might say that I would like to read into the record a copy of the letter I sent to the B. F. Saul Co., which is the same as the letter sent to all of these other real-estate men to whom a letter was sent, and it is as follows:

AUGUST 27, 1932.

B. F. SAUL CO., *Washington, D. C.*

GENTLEMEN: On behalf of the subcommittee of the United States Senate, acting under authority of Senate Resolution 248, June 27, 1932, the following information is requested of you:

1. Name and address of each apartment house which you own, manage, or operate, or for which you collect rents.
2. Your relationship to each property, and the terms of your compensation in each case.
3. Names of record and real owners (persons to whom you remit net rentals or account for same). If corporation, give names of officers and addresses, and place where books of property are kept.
4. Number of apartments rented and number vacant in each property as of August 15, 1932.
5. Scale of rents for each property, showing amount for each unit, and total rent for building if all apartments and other rentable space were rented.
6. Scale in 1929 and 1931, if different from present scale.
7. Reductions or increases made in 1932.
8. Reductions or increases to be made by October 1, 1932.
9. Last sale or foreclosure price of property (if known).
10. Encumbrances on property, amount of each deed of trust, name of lender and trustees (with addresses), interest rate, loan agent, commission rate on loan or other charge.
11. Insurance on property; amount, companies, insurance agent, annual premium.

Please send the information in as fast as compiled for each property, and advise when it may be expected.

Now, what we want is exactly the information called for, and I would like to repeat that, to set out our attitude, I conferred with the members of the subcommittee and secured their permission to ask for the information. We had an executive meeting of the subcommittee and they approved the plan of sending out the questionnaire; and it is very important, in my estimation, to get the information during the present month, because leases expire here the 1st of October, quite generally, and we want to make some progress during the present month with the investigation.

Therefore, I can not grant a great deal of time for any discussion of the questionnaire—that is, as to a different sort of questionnaire.

Mr. BOWIE. There are numerous questions on here that it is absolutely impossible to answer.

Mr. BRINKMAN. Well, if you will point them out in detail, I will be glad.

Mr. BOWIE. No. 10. First, with respect to No. 11, we do not see that it is relevant; it is difficult information for us to gather. If we have not written the insurance, we have got to go to the owner; the owner may not know. We can not see the need for that information.

Mr. BRINKMAN. Now, in No. 10, it calls for the encumbrances on property; amount of each deed of trust, name of lender and trustees (with addresses), interest rate, loan agent, commission rate on loan, or other charges. Now, in a great many cases, the real-estate rental agents for apartments are also the loan agents, the people who negotiate the loans. In the case of the Rust Co., they manage a great many other apartments, too. If they did negotiate the loans, they know the amount of the encumbrances, they know the name of the lender, they know the name of the trustee. Very often, the employees or officers of the Rust Co. act as trustees; they know their addresses, they know the interest rate on the loan, they know the loan agent, which is themselves, and they know any bonuses that may have been charged.

Mr. BOWIE. That is true.

Mr. BRINKMAN. So the question of supplying that information from a card index or from a record can be done without any outside information at all. On the other hand, there may be cases, probably are cases, where the agent for a building does not have that information. However, he can write to the owner, whose name he certainly has, and simply ask for that information. If the owner refuses to give it to him, he can simply advise the subcommittee to that effect; but in a great many cases, the information is all available in the office of the agent.

Now, as to question No. 11——

Mr. BOWIE. Just a moment, please.

Mr. BRINKMAN. Yes.

Mr. BOWIE. With respect to question 10, it is true that some of the properties that we manage we have financed, but you can not assume that many of them are, or that all of them are.

Mr. Smithy's office, for instance, has managed many houses, but has financed very few. We know nothing about the second trusts, we do not know the amount, we have no record of it, if there is one. We have to go to the owners, and the owners probably do not know what the amount is that remains unpaid.

As for the commissions on those second trusts, in the great majority of cases they are given for deferred purchase money, and without any commissions.

We think the whole item of mortgages should be eliminated, except those that we have individually financed and know about. I think we are willing to give you that information, but do not think that we are going to be willing to run these owners down and collect that information; I think that is expecting too much.

Mr. BRINKMAN. I think it will be easy for you to write a letter to the owner, asking for that information; and if he does not give that information; report it back to the Senate committee.

Mr. BOWIE. There, again, Mr. Brinkman, we ask you to have some regard for the trouble and expense that we will be put to in doing that. That, to our minds, seems irrelevant and improper.

Mr. BRINKMAN. Well, to my mind, that is the most important phase of the investigation, the financing of these apartment houses. And I know positively that in your own office, Mr. Bowie, the Rust Co.'s office, you have a record of the encumbrances on all of the properties.

Mr. BOWIE. We have records in the general file, perhaps, of the mortgages of any size on every piece of property that has been placed within the last few years. But are we to give that to you as truthful, authoratitive information?

Mr. BRINKMAN. You are not required to make oath to these answers; you are simply required to furnish the best information you can.

Mr. BOWIE. That is the very point in the matter: We do not want to furnish any misinformation, or attempt to furnish anything that we do not, ourselves, personally, know and can vouch for.

Mr. BRINKMAN. Well, the fact is, Mr. Bowie, you do have—and other companies, like Hagner and Shannon & Luchs—a record of the encumbrances on many of these properties, for which you are also the loan agents.

Mr. BOWIE. Of course, when we make a first trust on a piece of property, we have a record of it.

Mr. BRINKMAN. And you very often have a record of the second trusts, too?

Mr. BOWIE. Not at all.

Mr. BRINKMAN. You do not have that information?

Mr. BOWIE. No; we do not have. We do not have any second trusts, so the information is not going to be complete.

Mr. BRINKMAN. How much would it cost you to write a letter, asking for that information? You can write a letter for 25 cents, can you not?

Mr. BOWIE. It costs about 36 cents.

Mr. BRINKMAN. You can get up a form letter to be answered, to be mailed out to those owners, and it would probably not cost over a dime.

Mr. BOWIE. That might possibly be done.

Mr. BRINKMAN. Well, I stand for question 10. That is vital and necessary information and we are entitled to ask for it.

Mr. BOWIE. If we can give it to you, it will have to be confined to the mortgages that we hold on the properties that we manage in our own office.

Mr. BRINKMAN. Well, everyone who answers this will have to decide for himself what he is going to furnish.

Mr. BOWIE. That is what we are here for.

Mr. BRINKMAN. I assume the real estate board is not going to attempt to bind its members to a certain course of action in answering the questions, is it?

Mr. BOWIE. We can not.

Mr. BRINKMAN. It simply is going to advise its members?

Mr. BOWIE. We can advise them, yes; but we can not control their action in a matter of this kind. We would not attempt to control them.

Mr. BRINKMAN. Now, the next question, No. 11, to which you raise some objection, is: Insurance on property; amount, companies, insurance agent, annual premium. The same thing applies there, that is, the agent who handles the rents and loans, or either or both, very often is also the agent who places the insurance; and it is necessary as an item of cost to know what the insurance is, what it costs.

Mr. BOWIE. I thought you did not want to know anything about the cost yet.

Mr. BRINKMAN. That particular item I am very much interested in for reasons it is not necessary to state here. It is an operating cost, and we want to know what that cost is. We will also want to know the net or operating cost, but right now we want to know that cost.

Mr. BOWIE. When a loan is made on a certain piece of property, the lender of the money requires certain insurance—that is all we would know about—on that property that we had anything to do with financing, but the owner may have had additional insurance written, and many times does, and there, again, we would have to go to the owner, but he probably does not know, himself, just how much he has, and he will have to send us to the broker that wrote the insurance for him. It seems too irrelevant a matter to put us to that trouble for.

Mr. BRINKMAN. Well, I do not mind stating to you that I have had complaints that insurance rates are very much too high here, and——

Mr. BOWIE. Are we investigating that, too?

Mr. BRINKMAN. And that, with other costs, makes it difficult for some property owners to meet their expenses out of income; and I want to determine something about what the insurance cost is on some of these properties here.

Mr. BOWIE. Are we investigating insurance costs, too?

Mr. BRINKMAN. We are investigating every item that may enter into the expense of running apartment houses. We are not asking for all of the information at one time. We may not ask for any further information as to the majority of apartment houses; we may simply confine ourselves to individual cases. But to begin with, I would like to know something about the insurance costs.

Mr. BOWIE. Well, I think I can say that we do not regard that as a relevant question.

Mr. BRINKMAN. Well, I do regard it as a relevant question, and if you have that information, there should be no objection to furnishing it. If you do not have the information, it will be very simple, at the same time you are getting the information asked for by question 10, to get the information asked for by No. 11.

As I say, if an owner does not give you the information and refuses to give it to you, or does not give it to you, we can, of course, then call the owner before the committee and interrogate him in an orderly way. So you will not be put in jail, or anything of that kind, if you find it impossible to give us that information because of the lack of cooperation of an owner.

I think most of the owners will be glad to give the information, particularly as to insurance, because a great many of them probably feel the insurance rates are too high.

Mr. BOWIE. We might, in as much as we have started going through with them, go through the other questions.

Mr. BRINKMAN. I will be glad to do it. The first question is as to the name and address of each apartment house which you own, manage, or operate, or for which you collect rents.

Mr. BOWIE. That is very simple. That is all right.

Mr. BRINKMAN. The next question is: Your relationship to each property, and the terms of your compensation in each case. There can not be any objection to that.

Mr. BOWIE. I do not know what you mean by our relationship to each property.

Mr. BRINKMAN. Are you either the owner or operator or trustee for the property.

Mr. BOWIE. And the next question asks the names of record and the real owners. That would disclose our relationship.

Mr. BRINKMAN. No, not necessarily. I have a case right now where I had an answer from a real estate agent, and they are neither the owner nor the agent, but they are trustees. The property was deeded to them in trust, because the owner was unable to keep up the payments; and, therefore, they made some conveyance in trust to the real estate agent, so they would collect the rents and pay them on one of the mortgages. I would like to know how general that situation may be. We want to know who owns the apartment houses.

Mr. BOWIE. Even if he were the trustee, that would be covered in question 3. It would be assumed that we were remitting the rents to the owner.

Mr. BRINKMAN. Well, very often the rent is not remitted to the owner; it is remitted to the trustee.

Mr. BOWIE. It would be remitted to the trustee, perhaps. And, Mr. Brinkman, there are countless cases here in Washington where rents are being impounded and are being remitted to the holders of mortgages, and you would have to go into all that detail and all that explanation in order to make your answer clear.

Mr. BRINKMAN. Well, it is a very simple matter. As a matter of fact, the majority of cases are not of that sort. There may be cases of that sort, but it is not the general rule I hope and trust.

Mr. BOWIE. Therefore I had hoped that we could agree upon some sample questions that would give you the answers that you want, and the information that you want, without going so far afield and requiring so many explanations and so much detail, and so forth.

Mr. BRINKMAN. Let us get to question 3.

Mr. BOWIE. Just a minute, before we pass from question 2. "And the terms of your compensation in each case."

Mr. BRINKMAN. Yes; if you get 5 per cent as commission on the rentals, I would like to know it. If you get some other sort of compensation, I would like to know it.

Mr. BOWIE. How is that relevant?

Mr. BRINKMAN. I do not see the need of explaining the relevancy of these questions, but in that case I am glad to say for your information that we want to know whether the cost of having these properties handled through agents is the reason why some of them may be unprofitable, or not showing the proper return. Perhaps the compensation of the agent is too high. Perhaps it adds substantially to the rents that would be charged if the property is being milked by the agent. Then, if that is true, of course the rents must be very high.

Mr. BOWIE. You make that statement—excuse me, if you have not finished.

Mr. BRINKMAN. We want to determine whether that is the case and, therefore, we are asking the question as to the compensation received by the agents. We have had some letters saying that the agent got more out of the property than the owner, and we want to find out about the charges.

Mr. BOWIE. You make that statement in light of the fact that you do not want any operating costs in this questionnaire.

Mr. BRINKMAN. Not at this time. We are not asking the detailed operating costs now, and probably we shall not as to the generality of apartments; but we will probably take only typical cases and analyze those, rather than ask each apartment owner in the city to give the complete, itemized expenses and income of his properties.

Mr. BOWIE. There are two cases here—the terms of your compensation, and the cost of insurance—that relate to the cost of maintenance of buildings that you have in here, that you do not want at this time, and may not in the future; but the question and the answer by us goes to the cost of maintaining our buildings. In other words, you just take a little nibble at the items of cost of maintenance.

Mr. BRINKMAN. We are getting certain information that we want now. Later on, we will probably want considerably more information as to certain properties.

Mr. BOWIE. Do you want a complete analysis of the rent situation in Washington?

Mr. BRINKMAN. Eventually, yes.

Mr. BOWIE. Why not ask for it now?

Mr. BRINKMAN. I do not want to put the expense on you. You are already complaining about the expense of sending out letters at 10 cents apiece, and I do not want to put that expense on you now.

Mr. BOWIE. That is why we want the elimination of certain of these questions. We appreciate your consideration, but we want to do the job and get it done. We have done it already for the Department of Justice, and now we are asked to partially do it over again for you.

Mr. BRINKMAN. Is it your position that you would like now to submit the operating costs, net income and gross income, and all the other information as to each apartment? Because if you want to submit it now, we will permit you to submit it.

Mr. BOWIE. Yes; we will submit it, and we want these irrelevant and impossible questions eliminated.

Mr. BRINKMAN. We can not eliminate these questions, but you are at liberty to submit, in detail, your income, your net-income figures, and expenses for each building. If you want to add that information, you can add it.

Mr. BOWIE. That is adding to the cost unnecessarily.

Mr. BRINKMAN. It is not required. I am permitting you, if you want to give it, to go ahead and give it.

Mr. BOWIE. I tell you, frankly, Mr. Brinkman, we are not going to give you any partial report. What we are going to give you is

going to be complete. You nor the committee can get any information that will be helpful to you out of a partial report as to these buildings.

Mr. BRINKMAN. Well, now, we are the judges of that, not the real estate board.

Mr. BOWIE. Oh, yes; we will have to be, to some extent, the judges of it.

Mr. BRINKMAN. We will see about that later on. We will not even figure about it later on, because this committee is determined what it wants and what it intends to get. In other words, the committee is not going to permit the real estate board to have the running of the investigation.

Mr. BOWIE. We are not attempting to run the investigation. We are trying to help you in the investigation. We think we know more about these matters than you do, or the committee does.

Mr. BRINKMAN. That is what we are trying to get, and this is some of the information we want.

Mr. BOWIE. We want to give it to you completely; we do not want any conclusions drawn from partial information.

Mr. BRINKMAN. I am not drawing any conclusions, myself. The committee will have to draw its conclusions; and I think I said before we began making a record of this hearing, the committee will give a hearing to the real estate owners and agents and let them develop what they may want to develop as to net income, and things of that sort, as to particular properties. But at the present time, we do not want that information.

Mr. BOWIE. We want to cooperate, Mr. Brinkman. We want to be as helpful to the committee as we can, but we certainly feel that we have a right to be given some consideration as to the time that it takes to compile this data.

If we are going to give you a lot of data that is not going to be helpful to you, we are taking our time and spending our money to compile it, and we should not be imposed upon to that extent. This is a short cut for the committee. The committee would like much better to have this information directly from us, rather than to subpœna us and carry us to Congress with our records. That would take their time; it would take no end of time to get that.

We are perfectly willing to cooperate, if you will cooperate with us.

Mr. BRINKMAN. Well, I feel that I am cooperating. I have not seen yet any evidence of a lack of cooperation on my part.

Mr. BOWIE. If you are satisfied these are the questions and answers that you want, we can go to the owners and get it for you. We can take the time, take our time, to dig back in these things for what, on the surface, does not appear to be relevant.

Mr. BRINKMAN. Let us take question 3, and I think you admit that it it is relevant to know who owns the apartment houses here?

Mr. BOWIE. Yes; and, therefore, I say the question of the relationship to each property is irrelevant and unnecessary.

Mr. BRINKMAN. Maybe you are owner, or maybe you are the agent.

Mr. BOWIE. That would be disclosed in No. 3.

Mr. BRINKMAN. What possible objection is there to saying "Agent"? What is the objection to putting that in your letter?

Mr. BOWIE. It is the elimination of one question.

Mr. BRINKMAN. It is the elimination of one word. If you are the agent, you write here "agent," and that is all there is to it.

Mr. BOWIE. And I do not see, referring back to No. 2, the necessity for our being required to state the terms of our compensation in each case.

Mr. BRINKMAN. Well, I have already given my explanation of that.

Mr. BOWIE. We operate under the rules of the Washington Real Estate Board, which fixes the rates of commissions on rents, sales, and exchanges, and we will be very glad to furnish you with a book giving you those rates.

Mr. BRINKMAN. In other words, the real estate board fixes the rates that are to be charged for that service?

Mr. BOWIE. We have a standard rate of commission, just as every other board in the country has.

Mr. BRINKMAN. Do the members hold to that rate?

Mr. BOWIE. If they do not, they may be censured.

Mr. BRINKMAN. Well, after they are censured, then what happens? If they repeat the offense, are they expelled from the board?

Mr. BOWIE. They might be.

Mr. BRINKMAN. Now, No. 4, the number of apartments.

Mr. BOWIE. Just a moment, Mr. Brinkman, if you please. We did not finish No. 3. "If corporation, give names of officers and addresses." We are collecting rents for corporations from out of the city, and we do not know who the officers are. We only know the names of the corporations.

Mr. BRINKMAN. Well, of course you know the names of the corporations and their officers, and their addresses.

Mr. BOWIE. If they were corporations, that would be so disclosed in the answer to No. 3.

Mr. BRINKMAN. Then you know its address, if you are remitting to it.

Mr. BOWIE. Yes; if you want its address, we can give that to you.

Mr. BRINKMAN. And you know who you are remitting to. So you can give the name of somebody connected with the corporation. You see, we are not asking for you to give anything that it is impossible for you to give. If you do not know, you can simply say, "We do not know the names of the officers." We will have to accept that.

We are not trying to impose a big burden on you of going out and getting the names of the officers of these corporations, you see.

Mr. BOWIE. You want us to do that with reference to the insurance and with reference to the mortgages.

Mr. BRINKMAN. Well, I think if we had the names of the officers to whom you remit, or with whom you correspond, or if you have their letterheads, probably you can get the names of the officers without much trouble; and you probably know where the books of the properties are kept, because some of the books are kept, perhaps, in your own office, or in the office of some accountant who keeps the books.

Mr. BOWIE. We keep the books for all of the properties that we collect rent for.

Mr. BRINKMAN. Then you can see the books at the office of the Rust Co.

Mr. BOWIE. That would not disclose the names and officials of the corporation.

Mr. BRINKMAN. Well, those are separate inquiries as to the officers and the books. If it is a corporation, you usually know where its books are kept; if you do not, you will have to say something.

Now, are you ready to go on to No. 4?

Mr. BOWIE. There, again, let me call your attention to the fact that you are asking us to do something that we can not do, that we may not know.

Mr. BRINKMAN. Well, let me say now, Mr. Bowie: You say it is impossible, but I have already received answers, almost by return mail, from a number of prominent real-estate businesses, and they have given the information in detail, and apparently they had no trouble with it, and at no great expense, either.

Mr. BOWIE. They must have had very small offices and very small businesses.

Mr. BRINKMAN. No; one of them is one of the largest real-estate offices in the city.

Mr. BOWIE. Did he not refer you to the Department of Justice report that he made?

Mr. BRINKMAN. One company, I think, did refer me to the Department of Justice.

Mr. BOWIE. Did not this large one?

Mr. BRINKMAN. No; we got complete information from one of the large ones, and the information only covered one page of typewriting as to each apartment.

Mr. BOWIE. Your fourth question we have no objection to.

Mr. BRINKMAN. All right, No. 5 then.

Mr. BOWIE. We do object to giving you the scale of rents of each unit in each apartment. We will be glad to give you the total rent, the gross scheduled rent of the buildings.

Mr. BRINKMAN. Well, that will not be sufficient; that is, I would like to know how many apartments rent at $50, as I said before, and how many rent at $90, and then the total rents. Now, it is a very easy matter, if you are agent for a building, and you must necessarily have some sort of card index or something of that sort, showing the apartments in each building, and it is easy to say 24 apartments at $50, and 12 apartments at $75.

Mr. BOWIE. That would not be giving you——

Mr. BRINKMAN. And then the total is just child's play: 12 at $75, and 24 at $50.

Mr. BOWIE. That is perfectly all right, but we object to showing the amount for each unit, and our objection to that——

Mr. BRINKMAN. Well, as I said before, I do not expect you to show the amount for each apartment; that is, if you have 12 units of two rooms, which rent at a certain price, give me that; but you need not show apartment No. 201, 203, or such as that. It is not necessary to show that.

Mr. BOWIE. To put it to you that way, we could not put it truthfully, because there may be a variance in the rentals, and there usually is, in different size apartments in a building.

Our reason for not wanting to disclose the rent for each individual unit is due to the fact that in many of our apartments, we have made drastic reductions; and if a man could not pay, we have permitted him to continue on and pay what he could. If that information were given to the public—and this will be a public record—it will be embarrassing to us.

We have no objection to giving you the total rent of the building. To do it as you say, or as you suggest doing it, we could not do it truthfully.

Mr. BRINKMAN. I have already made clear how you can modify No. 5, to avoid too much work. Now, of course, there is also the matter of other rentable space, like stores in the first floor of buildings, and the rent that you receive from those.

Mr. BOWIE. If we were reporting on the rents received from a building, we would certainly include the stores, if there were any.

Mr. BRINKMAN. Then No. 6, the scale in 1929 and 1931, if different than present scale. Now, if you think that is too much work, I am perfectly willing to modify it and make it, we will say, the year of 1930 or 1931, if different from the present scale. In other words, if you have made a reduction, this gives you an opportunity to show it.

Mr. BOWIE. We began making reductions in 1929, and we should prefer to give you the scale in 1929.

Mr. BRINKMAN. That will be all right, either one of the years. You can use either one of the years you want, prior to 1932. That will give us an answer as to how the rents are moving here, what changes have been made in rents, which is an important factor in determining whether they have responded to the nation-wide reduction in rents.

No. 7: "Reductions or increases made in 1932." Is there any objection to that?

Mr. BOWIE. Why not give you the schedule of rents in 1932? You ought to take some particular month, because we have been steadily reducing rents since the 1st of January.

Mr. BRINKMAN. Well, you simply have to show what those reductions were, or increases were, in 1932. I have several cases of increases. If they were raised or lowered, you can simply show that.

Mr. BOWIE. Might we not eliminate that question altogether? You say reductions or increases which have been made, or to be made by October 1, 1932——

Mr. BRINKMAN. That is a different proposition. You may not have made them so far, but you may intend to make some before the end of this year, or October 1.

Mr. BOWIE. We are limiting it to all of the decreases that we have made from January 1, 1932, to October 1, 1932.

Mr. BRINKMAN. It is possible that you might combine those two.

Mr. BOWIE. I think we can combine 7 and 8.

Mr. BRINKMAN. You can suit yourself about that, just so it will show the change there has been in 1932, or the change there will be. Of course, you might change your mind before October 1. You might report now that you were going to make a reduction and then not make it; so I would like to know what actual reduction, if any, has been made. In other words, I do not want the possibility of any slip there.

Mr. BOWIE. If we were going to make a reduction by October 1, we would likely know it now.

Mr. BRINKMAN. Now, the next question is something that you will find very simple: Last sale or foreclosure price of property, if known. If you do not know it, you do not give it.

Mr. BOWIE. That is one of the things that might get us into difficulties with our owners. If it is a foreclosure, it is a matter of public record; if it was a sale, it may have been 10 years ago, and we may know it, and we may not. I know we have not a right to give you that information without authority from the owner.

Mr. BRINKMAN. I think you have. However, if you want to simply report that the owner refuses to allow you to give that information——

Mr. BOWIE. We do not want to be put to the trouble of arguing with these owners about giving that information.

Mr. BRINKMAN. Well, that question you can answer as you see fit, and we can go ahead and do as we see fit about it.

No. 10 and No. 11 we have already discussed in detail, so there is no use in going over them again. So that will be about all I have to say.

Mr. BOWIE. As the result of this, would you like to make a revision of these questions?

Mr. BRINKMAN. No; I stand on the questions, with the slight modification to help you and reduce your expense.

Mr. BOWIE. Then I think our course will be that we will propound a set of questions and send them to you and——

Mr. BRINKMAN. It will be perfectly useless to do that, because, on later consideration, while I may later on want to ask you the questions you may send to me, right now and immediately I want answers to these questions. I do not intend to harrangue and argue about what you want to answer. I want this information, and the subcommittee has authorized me to ask for this information, and I am asking for it on behalf of the subcommittee. Now, you have the questions, you have the explanations, and you can regard it as you see fit.

May I ask who is the attorney for the real-estate board?

Mr. BOWIE. Roger J. Whiteford.

Mr. BRINKMAN. Formerly attorney for Mr. Pitts?

Mr. BOWIE. Not that I know of.

Mr. BRINKMAN. Has he been attorney for you for some years?

Mr. BOWIE. For a number of years.

Mr. BRINKMAN. How many years, would you say?

Mr. BOWIE. Ten or twelve.

Mr. BRINKMAN. For this board?

Mr. BOWIE. Yes. This still leaves us unsettled. You are not willing to revise these questions; so we apparently can not agree upon a set of questions that we will attempt to answer.

Mr. BRINKMAN. Now, are you binding all of the members of the real-estate board not to answer these questions?

Mr. BOWIE. I have stated to you before that we can not bind the members of the real-estate board to something with respect to this questionnaire.

Mr. BRINKMAN. Well, I think some of them have already answered the questions.

Mr. BOWIE. I have heard of two.

Mr. BRINKMAN. Several have promised to answer, but now whether they will after this meeting, or not, I do not know.

Well, I do not know of anything further to discuss, but I will be glad to——

Mr. BOWIE. I know of nothing further.

Mr. BRINKMAN. All right. Is it my understanding now that I will not receive the information from the members of the board, or that the recommendation of the board of directors will be not to answer the questions?

Mr. BOWIE. I am not making that statement, or any other, that will bind the directors of the Washington Real Estate Board, at this time.

Mr. BRINKMAN. I believe that is all.

(Thereupon, a recess was taken in the hearing until a future date, to be fixed by the chairman of the subcommittee.)

Hearing of September 9, 1932 (continued from page 83).

Senator COPELAND. Now, Mr. Brinkman, we are here to-day to hear certain real-estate men, who have been asked to attend.

Mr. BRINKMAN. Certain subpœnas have been issued.

Senator COPELAND. And the first one issued to whom?

Mr. BRINKMAN. Mr. Bowie.

Senator COPELAND. Is Mr. Bowie present?

Mr. BOWIE. Yes, Senator.

Senator COPELAND. Will you come forward? Have you been sworn before, Mr. Bowie?

Mr. BOWIE. No, sir.

FURTHER STATEMENT OF J. F. M. BOWIE

(Mr. Bowie was duly sworn.)

Senator COPELAND. Mr. Bowie, I notice in the record of the meeting held on the 2d of September, that you had certain objections to the questions which were asked by the attorney of the subcommittee.

Mr. BOWIE. Yes.

Senator COPELAND. Do you still hold to that position?

Mr. BOWIE. Speaking for H. L. Rust Co.

Senator COPELAND. Let us have that clear. Are you the president of the real estate board?

Mr. BOWIE. I am vice president of H. L. Rust Co.

Senator COPELAND. And also president of the real estate board?

Mr. BOWIE. Yes.

Senator COPELAND. In what capacity are you appearing?

Mr. BOWIE. Both.

Senator COPELAND. Then you say that you represent the Rust Co.?

Mr. BOWIE. Representing the H. L. Rust Co., I would say, in respect to the questions, that we will answer them to the best of our ability.

Senator COPELAND. Well, that is good. The angels could not do better than that, could they?

Mr. BOWIE. No, sir.

Senator COPELAND. Have you prepared the replies to the questions?

Mr. BOWIE. No, sir.

Senator COPELAND. Why have you not done that?

Mr. BOWIE. We reached that decision only yesterday.

Senator COPELAND. But you are now prepared to come forward and answer the questions to the best of your ability?

Mr. BOWIE. As expeditiously as we possibly can.

Senator COPELAND. What does that mean—that we can expect a very prompt reply from you?

Mr. BOWIE. We are in the busiest season of our year, Senator. We can not turn this work over to a person who is not familiar with the properties; we have to use our own force and organization to compile the data.

Senator COPELAND. How long will this busy season last?

Mr. BOWIE. Until the 1st of October.

Senator COPELAND. That is a period of three weeks?

Mr. BOWIE. About three weeks.

Senator COPELAND. Well, could you give us the information with reference to some of the properties that you have?

Mr. BOWIE. Oh, yes; we could give it to you as we complete it for each building, if you would like to have it in that way.

Senator COPELAND. That would be helpful, would it not, Mr. Brinkman?

Mr. BRINKMAN. That is what we asked for.

Senator COPELAND. Well, I am very glad to have you say this, Mr. Bowie, representing the Rust Co. Now, have you any statement to make regarding the attitude of the real estate-board?

Mr. BOWIE. Yes, sir. The Washington Real Estate Board feels that it can not take any official action in connection with Mr. Brinkman's questionnaire, as it can not control the acts of its members or require them to answer. It does feel that it should and will use its influence with its members to cooperate with the committee in answering the questions. In a spirit of cooperation, which the board has extended to the committee, if it has your approval, it will endeavor to collect the data from not only the members of the board but from non-members and large property owners, giving you the full information as to maintenance costs and the net returns the owners of apartment houses are receiving, and such additional information as will give accurate and complete picture of the apartment-house rentals in Washington, believing this information to be necessary in determining the matters the committee has before it.

Senator COPELAND. Mr. Brinkman, you have heard the statement made by the president of the real-estate board. Does that statement, in your opinion, cover the thought that we have in mind?

Mr. BRINKMAN. It is evidently the intention of the real-estate board to have its members, and other real-estate firms, to furnish some additional information. There, of course, can be no objection to furnishing the additional information. But, primarily, at this time, we are interested in securing the information asked for in the questionnaire, and we would not want that information held up until they collect whatever additional information they desire to submit.

Senator COPELAND. Have you any objection to the statement Mr. Brinkman makes, or any comment on it, Mr. Bowie?

Mr. BOWIE. I have no comment, except to say that the real-estate board wants to help and want to cooperate with the committee. They want the committee to have, and think that the committee should have, the complete picture of the whole rental situation. We will be very glad to gather it for you. It will be a matter of some expense to you, but we believe that, in order for you to see and know the situation, the true situation, it is necessary for you to have it, and we would be very glad to undertake to gather the data for you.

Senator COPELAND. As I understand it, then, you are proposing to give the material which was asked for by the letter of the committee, and then in addition to that, certain other information which you think would be helpful?

Mr. BOWIE. Yes.

Senator COPELAND. Of course, It is our anxiety to proceed as rapidly in this matter as possible. We are anxious to have a full report ready, certainly, by the time Congress meets. How long do you think it would take for you to begin turning in material to the committee?

Mr. BOWIE. I think that we can begin turning in answers to Mr. Brinkman's questions almost immediately, and I believe that we can not only complete the answers to Mr. Brinkman's questions, but that we can have in your hands the additional information that you want within a month or six weeks.

Senator COPELAND. Then if I understand you correctly, you will begin to turn in to us at once the answers to the questionnaire that you have received, and then the additional information in its complete form will be in our hands within a month or six weeks? Am I right about that?

Mr. BOWIE. Yes, sir.

Senator COPELAND. That appears reasonable. I want to make it very clear, through you to the members of the association, that the committee has no other desire than to treat fairly all parties and interests. That is my own attitude, and I hold in my hand a letter from Senator Capper, and he is very insistent, of course, that we have the cooperation that you have promised; but you may be sure that, so far as the committee is concerned, it has no preconceived judgment as to the matter, and no conclusions have been reached as yet. So if you work together with us, I think we should go forward and gather the material and collate it and present it to the public, and ultimately to the Senate, so that there can be a comprehensive report and a fair and just conclusion on the part of all concerned.

Have you anything further to add, Mr. Bowie?

Mr. BOWIE. Only that I take it we have your consent and approval to gather this information, and that when it has been completed, you will receive it.

Senator COPELAND. Have you any comment to make on that, Mr. Brinkman?

Mr. BRINKMAN. No; I think that is a very good suggestion, and I am sure the committee will be glad to get it.

Senator COPELAND. That appeals very strongly to me.

Mr. BRINKMAN. I would like to ask Mr. Bowie a question.

Senator COPELAND. Very well.

Mr. BRINKMAN. In his letter of August 31, he states that a meeting of the board of directors of the Washington Real Estate Board had been held on August 31, and it was then the opinion of the board that the questions asked by the committee could not properly be answered. I assume that that attitude has been reversed and those questions will now be answered, so far as the board is concerned?

Mr. BOWIE. You have made certain modifications to those question that will be helpful. Some of the questions we can not answer, because we do not have the information required.

Senator COPELAND. You refer to the modifications which were discussed in the hearing before the real estate board?

Mr. BOWIE. Yes.

Senator COPELAND. I read that very carefully. You feel that those modifications were helpful in the matter?

Mr. BOWIE. Yes.

Senator COPELAND. And that, with those modifications, you have no objection to the questionnaire?

Mr. BOWIE. We will answer it to the best of our ability.

Senator COPELAND. That is all right. Anything more, Mr. Brinkman?

Mr. BRINKMAN. No.

Senator COPELAND. Now, we summoned certain other persons; did we not?

Mr. BRINKMAN. Yes.

Senator COPELAND. Mr. Hagner, do you care to add anything to what Mr. Bowie has said?

Mr. HAGNER. There are only one or two things, Senator.

Senator COPELAND. Will you be sworn first?

STATEMENT OF RANDALL H. HAGNER

(Mr. Hagner was duly sworn.)

Mr. HAGNER. Senator, now, with this modification—is this modification that Mr. Bowie has referred to after Mr. Brinkman's letter of August 27?

Mr. BRINKMAN. Well, there were certain slight modifications, to save the time of your employees in the transcribing of the record.

Mr. HAGNER. Frankly, I have not read it, but there is something in the letter of August 27 that I have no more idea how we could get the information on than the man in the moon; and I, frankly, do not see that it has any bearing on the rent situation here in Washington.

Mr. BRINKMAN. What particular questions do you refer to?

Mr. HAGNER. Well, now, let me see. For instance, here is one: The last sale or foreclosure price of property, and then it is modified by "if known." In order to get that, you have got to get some one familiar with the court records, or have the title company give you a certificate of title, showing every proceeding in the chain of that property.

Senator COPELAND. Mr. Brinkman, we are not expecting this witness to give any information he does not possess.

Mr. BRINKMAN. No; it says, "if known."

Mr. HAGNER. No. 4 I can answer right now; it says, "Number of apartments rented and number vacant in each property as of August 15." We are agents for 68 buildings, which comprise 1,954 units, of which, as of yesterday, there were 455 vacant, or an average vacancy of 23.2 per cent.

Senator COPELAND. Is that considerably higher than the usual average?

Mr. HAGNER. About twice. Last year it was 9 and a fraction per cent.

Senator COPELAND. How do you account for the fact that there are so many vacancies this year?

Mr. HAGNER. I do not know, Senator, whether it is that some people—whether two people have gone into an apartment, whether there is as many people in Washington now, whether the people have gone into boarding houses, or where; but those are the actual figures from our books. Last year it was 9 and a fraction, and as of yesterday it is 23.2.

Senator COPELAND. Have you made any reductions in rents in your various apartment houses?

Mr. HAGNER. I do not think there is a building that we have in our office where the rent has not actually been reduced. I am not sure that I know of one where it has not been reduced, except where additional service has been rendered to off-set the reduction, such as electrical refrigeration, and so forth.

Senator COPELAND. What do you do with those persons who have leases which have not expired?

Mr. HAGNER. Well, there was an incident of an Army officer in Kew Gardens only recently, who came in. I am not active in the rent end of our business, but I happened to hear this conversation, because he asked for me and I introduced him to the man in charge of our renting department. And this man, a colonel or major—I do not remember his name, but if it means anything it is very easy to get—has been in this building, paying $130. He has six rooms, a reception hall half as big as this, a porch and two baths. He was very agreeable and very reasonable, and he said that he had been cut in pay, and that he had a lease until the first of October, and he wanted to know what he was going to do after that. Mr. Ray, who talked with him, said that he had it up with the receivers of Swartzell, Rheem & Hensey Co., who owned the building and they decided, on these large apartments, to reduce them to $110.

Senator COPELAND. How much had it been before?

Mr. HAGNER. $130. He asked this officer if he had paid his rent and he said, "Yes: I think I have." We checked it up, and he had paid it. This was probably the seventh or eighth of July. So we told him the reduction would become effective as of July 1, although he had a lease and he was only inquiring after the 1st of October, and as long as he had paid his rent, in August to take off $40, instead of giving him back $20.

Day before yesterday, he came in and, frankly, surprised me a little. He said he had been thinking it over, and he had decided that he could not afford to pay $110 a month. Our rent manager told him he had it up with the receivers, and the receivers felt they could not carry the building along, which is away in arrears, with a further reduction than that.

So then he said, "Well, I am sorry. I do not know whether I can afford to pay $110 a month or not, but if I stay there will you inclose the porch in glass and give me a closed porch?" Our rent manager said, "Well, Colonel, you write us a letter and tell us just what you want done, and we will take it up with the receivers."

Now, he came to get a reduction as of October 1; he got it July 1; Then he comes in and says that as much as he could afford to pay was $100, and asks for $10 more reduction. He asked for $10 more, on the basis that he can not afford to pay it; but it looks very much

as though he can afford to pay it, if the owners will spend $150 or $200 inclosing a porch, which he has been living there with as an open porch at $130 and now he is paying $110.

Senator COPELAND. He might have had an addition to his family and wanted to have another room.

Mr. HAGNER. Well, it might be a little cold, but he did not say anything about it before.

Now, here is another illustration that I want to tell about. I had a conversation with Mr. Brinkman, in which he said nothing would please him more than for me to decline to give him the information, so I stopped doing anything; but I just remember this conversation.

The other day we sold a building known as the Portsmouth, on New Hampshire Avenue. It was sold for a little more than enough to clean up the back costs, and so forth, for $125,327. It is assessed at $164,574. So that building sold for less than its assessed value by $39,000, for $39,000 less than its assessed value. In 1927 that building, without electrical refrigeration, rented for $29,910; in 1921 it rented for $28,614; and at the present time, if it was filled, it would rent for $27,690. It has General Electric refrigeration throughout on the house current, and the tenants there get the benefit of it. The building contains 35 apartments, and at the present time there are 6 vacant.

Senator COPELAND. Do I understand you that that property has a new ownership?

Mr. HAGNER. It was just sold the other day.

Senator COPELAND. And, therefore, the return should be upon the basis of the new investment?

Mr. HAGNER. I should say yes.

Senator COPELAND. You would not expect the same return upon it now that was had when the property was originally owned, would you?

Mr. HAGNER. I do not know what the original investment was, but I should think that the man who is buying it would be satisfied with a reasonable return, allowing for depreciation, on what he pays for it.

Senator COPELAND. It would seem to me, if he is a human being, he certainly would be.

Mr. HAGNER. But on the basis of the sale, he is paying real-estate taxes of $39,000 more than the assessed value—more valuation than he paid for the property.

Senator COPELAND. Well, your belief is that the present assessment is too high?

Mr. HAGNER. I think it is, and I think if the thing is seriously and broadly gone into—which I tried to discuss with Mr. Brinkman the other day, when he called me off by saying that nothing would please him more than for me to decline to give him the information, because I told him that I did not see that we were called on to go to the expense; because, to answer his questionnaire, that is a real job and it costs money to do it.

Senator COPELAND. Regardless of any differences you may have had heretofore, and I am not particularly interested in that, if it is a fact that the assessments are too high in this city, that is a matter that we, as a committee, are interested in knowing.

Mr. HAGNER. Well, I think you should be; and while I am a member of the real-estate board, I do not in any way speak for the real-estate board; but I think that, while the owner of this property, because he could sell it and get his delinquencies, get this price, including his delinquencies and all, I think you will find that a comparison between what he sold for and what the property is assessed at is not, in any way, the outstanding item.

Senator COPELAND. Of course, that is a matter which should be given consideration.

Now, I want to ask you this question, which is along the line of the one I have already asked you: Suppose you had an apartment house and one-fourth of your tenants leased their apartments, and the leases will not expire for a year or two, and that you had determined to have a lower schedule of prices, would you give them the benefit of them?

Mr. HAGNER. I think anybody that has had any experience in renting property would, because you can not have one fellow paying $90 and the other fellow paying $80 for the same thing.

Senator COPELAND. Then I assume that would be your policy?

Mr. HAGNER. I think that would be our policy, and I think you will find it is general.

Senator COPELAND. That if there is a new schedule of rents for the house, regardless of any old leases that existed, the leaseholders should have the benefit of the lower rate?

Mr. HAGNER. Absolutely, and it is practically impossible to do otherwise. As an illustration, we are agents for Alban Towers, where the rents have been reduced, and in addition there has been added free gas for cooking, and free refrigeration, and on top of that, the rents have been reduced. Every tenant has gotten the reduction, and the new tenants and those that held leases, they have all come in together.

The same thing has happened at 3701 Massachusetts Avenue. We ran into a lot of vacancies, reduced the rents $5 and $10 a month. Two or three tenants wrote and said they thought that was very nice, and a number of them said it was the most ridiculous thing they ever heard of. We have, out of 55 apartments in that building, 18 vacancies, which is some vacancies.

You ask me where the people have gone—I do not know, but there are more vacancies than before, notwithstanding our reduction, which was voluntarily made to try to absorb the remainder.

Senator COPELAND. You realize, of course, that the thing which stimulated this District committee to suggest the action which we are now taking in this subcommittee, came from the fact that there has been a material reduction in this city in the incomes of the people?

Mr. HAGNER. Yes.

Senator COPELAND. Particularly the Government employees, they having had a definite cut; and that, too, every family, I suppose, almost without exception, has suffered a decline in income. So our feeling has been, to be frank about it, that the real-estate owners would have to share in the common misery, and I suspect you feel that you are sharing in the common misery.

Mr. HAGNER. I do not think there is any question about it.

Senator COPELAND. Which to me is a sign of decency and the proper spirit, when we find that the real-estate owners are anxious, voluntarily, to make reductions, which makes it possible for the people, with their reduced incomes, to use no more than the proper

proportions of their salaries to pay rents; and I am glad particularly to have you say that all of the tenants, regardless of whether they have leases or not, will have the benefit of it.

Mr. HAGNER. In each instance with us, when there has been a reduction, it does not make any difference whether a man has a lease or not, his rent automatically comes down with the others.

Now, in a measure, we have abandoned trying to get leases, and when a lease is expired let them become monthly tenants; because the minute you talk about a lease, if they are satisfied with the apartment, they want a reduction; if they do not want a reduction they want you to go in and do a lot of unneceassry papering and painting on the theory that if you do not do it they are going to move.

But this thing has worked around so that, while I realize that a great many people's incomes, or 90 per cent of them, are less, yet I really and truly feel that conditions have been such that the owners of real estate, with the increases in taxes, are being crucified; because their incomes have been reduced absolutely along in the same proportion, and they have their interest to pay, they have their insurance to pay, and they have got their increased real-estate taxes to pay; and yet everybody says, "You ought to give this and that," and "you ought to do this and that." How are they going to carry on?

Now, the fact that some pressure has been possible is, because this city to-day is about 25 per cent underrented in apartment houses. With a condition of that sort, you can not take a tenant by the throat and say, "You have got to take this or that," but if a tenant does come in and say, "if you don't reduce my rent, or if you don't give me a month free rent," or "if you don't paper and paint this apartment"—and some of them are painted two or three times a year—if you do not submit to that, you do not get the tenant.

Now, this record of ours of 23 per cent, which I am ashamed to have the property owners know about, or know that is the best results we have been able to produce—23 per cent vacant. You will find that practically every other real-estate office in this city is in the same shape. How can you impose on an owner when these conditions exist?

Senator COPELAND. Under the existing conditions in the city, can a tenant move out from one apartment house without let or hindrance, and move into another?

Mr. HAGNER. I would say, if they had leases, no; if a lease really means anything, if they have any responsibility. We would not let a tenant, without opposition, move out of this building and go into some other building.

Senator COPELAND. Have you got some sort of interoffice arrangement by which you communicate with each other when a tenant moves out?

Mr. HAGNER. None on the face of the earth that I know of. I think it would be a good thing; but so far as I know, there is not.

Senator COPELAND. No black list?

Mr. HAGNER. Absolutely none. And I have heard of this so-called real-estate ring, and I have been mortified, because we consider that we have a fair size business and have never been admitted, or know anything about it.

Senator COPELAND. You have not heard of any instance where a party desired to leave one house and has found it impossible to get into another one?

Mr. HAGNER. Absolutely not, but it is the reverse. I think it is very poor business when they will permit a tenant to move out of a building, for instance, a building for which we are agents—and it is a competitive thing, dog eat dog, on account of the vacancies, and give the tenant a month or two free rent, in order to get him, and break a lease with us, or with somebody else.

Senator COPELAND. The real situation here is, there is no conspiracy on the part of the real-estate owners, but there is this attitude of "dog eat dog?"

Mr. HAGNER. Absolutely.

Senator COPELAND. So a tenent here is at perfect liberty to leave your house and move into my house, and there is nothing to interfere with that change of residence?

Mr. HAGNER. And if you are not careful, some other agent will offer him inducements to move out of your house into his. It is a merry-go-around, without any protection to anybody.

Senator COPELAND. I suspected that had happened in New York.

Mr. HAGNER. It has happened here.

Senator COPELAND. Have you any questions to ask the witness, Mr. Brinkman?

Mr. BRINKMAN. I assume, from what Mr. Hagner says, that he will answer the questions; that he will withdraw his letter of August 30, in which he refuses to answer the questions?

Mr. HAGNER. No, we still maintain our position, Mr. Brinkman. Now, whether I have got to answer the questions for the committee—let me answer your question: As I have told you, every record that we have got is open, mortgages, everything we have got. There is no trick in it. But, unless we are made to, knowing the conditions as well as I do, I do not feel that we are called on to disrupt the workings of our office in the so-called renting season—if we are fortunate enough to have one—to get together a lot of information that, in my opinion, has no bearing on the rent situation and would be very difficult to get. In my opinion, I know it is all unnecessary, unless it is on the question of reducing taxes.

Now, if I have got to do it, I will do it. But if I have not got to do it, I do not feel inclined to give you the records of our office and permit you to send anybody in that you want to. We went to an expense, I imagine, of $200 in salaries and the best part of a month, with outside people, to compile a lot of statistics for the Department of Justice, and have heard nothing further from it.

Senator COPELAND. Did you not have a duplicate of it?

Mr. HAGNER. We have, yes; and Mr. Brinkman can have it. I told Mr. Brinkman we had it, and he said it would not serve the purpose. I said, "The only difference between then and to-day is, that some of the rents have changed, in that they are lower to-day as the renting season comes on," when you have to make reductions, in order to satisfy your tenant. But that does not cover a lot of stuff that he asks for, such as the names and addresses of the trustees under mortgages, the amount of fire insurance, what companies carry it, and this, that, and the other, a lot of which I do not see has any bearing on the rent situation, but very difficult to get together.

Senator COPELAND. But if the committee decided that it wanted to have that information, you would be willing——

Mr. HAGNER. If that is so, then I have got to get it.

Senator COPELAND. Any other questions, Mr. Brinkman?

Mr. BRINKMAN. We asked these others to furnish it, and I do not see any reason why Mr. Hagner's firm should be exempt. In fact, they did promise, in the first place, to furnish it. I talked to Mr. Hagner's partner, and that is the reason I said to Mr. Hagner I would be glad if he did finally refuse it, because, in the first place, his partner had agreed to furnish it to us.

Mr. HAGNER. You and my partner had a very casual conversation, and he told you, "I will talk to Hagner," and I said to him, "We will have to get the title examiners in here to answer that," and he said, "I don't know; I think we had better cooperate." I said, "I am willing to cooperate. Our books are open. The Department of Justice people got it," but I said, "unless I have got to, I am not going to mess up the office, getting a lot of stuff that I can not see has any bearing on it." Of course, I talked to Mr. Brinkman, and he said that nothing would please him better, if I did not do it.

Senator COPELAND. Regardless of what Mr. Hagner's opinion may have been in the past, he is now saying that he is willing to furnish it.

Mr. BRINKMAN. No; I do not understand him that way. He says he is willing to have us come in and get it, but he will not get it up unless he has to.

Mr. HAGNER. There is a lot of this information, just like this Portsmouth, that I can give you, for two or three years, what the building rented for; but there are some things I can not answer, because in 1927 or 1928 we did not have the building and I can not tell you what the building rented for.

Senator COPELAND. We are not asking the impossible.

Mr. HAGNER. If that is going to be gone into, and you want it along this line of this difference in the assessment figure and the sale price, that is a different matter. In this case, the man sold his building for $39,000 less than he had paid taxes on it for, and he had struggled on until the building was pushed on him, and out of 35 apartments he has 6 vacancies. If all that is gone into, I will be glad to do it; but there is some stuff in here that I can not get, without getting experts to come in and run through the title chains, and so forth. But if the cards will be put on the table, I will be decent, because it will result in getting taxes reduced somewhat.

Senator COPELAND. Did you have the thought that the cards were not on the table?

Mr. HAGNER. No, sir; except what I stated to Mr. Brinkman.

Senator COPELAND. Now, I assure you, as far as the committee is concerned, and I am sure the committee speaks for Mr. Brinkman, the cards are on the table.

Mr. HAGNER. Well, sir, I think, if the whole thing is permitted to be gone into, I think it would be a most excellent thing, because I think it would go to stabilizing conditions in Washington.

Senator COPELAND. I am very glad to have you express your hearty approval of the action of the committee. So we will look forward with confidence, Mr. Hagner, to you cooperation.

Now, who is the next witness?

Mr. BRINKMAN. Mr. George R. Linkins.

STATEMENT OF GEORGE R. LINKINS

(Mr. Linkins was duly sworn.)

Senator COPELAND. Mr. Linkins, what is your concern?

Mr. LINKINS. George W. Linkins Co.

Senator COPELAND. Have you any statement to make in regard to the matter at issue?

Mr. LINKINS. I would like you to read the letter I wrote Mr. Brinkman.

Senator COPELAND. Well, read it out loud, Mr. Brinkman.

Mr. BRINKMAN. It is a rather long letter.

Senator COPELAND. What does it mean?

Mr. BRINKMAN. Well, the substance of it is, that he does not think——

Mr. LINKINS. No; I want the whole letter read; I want it to go in the record.

Senator COPELAND. Well, let us hear it.

Mr. BRINKMAN. It is a letter addressed to me, dated September 8, 1932, and is as follows:

DEAR SIR: I have just returned from my vacation and find your letter of August 27, written as counsel for the Subcommittee of the District of Columbia in the United States Senate, asking certain information regarding apartment houses which we own, manage or operate or for which we collect rentals.

We have no objection to furnishing proper information necessary to cover the inquiry required by the resolution, but the list of questions which you have addressed to us for answer does not fairly cover the situation.

The resolution makes the bald statement that there has been no appreciable reduction in rents in the District of Columbia. It is probably intended to justify that statement by the fact that no time is fixed.

The resolution recites that the public of the District of Columbia is paying high rents based upon inflated and fictitous values of rental properties, and your list of questions includes no information which would enlighten the committee on whether this statement was true or not.

The resolution further charges that rents are being artificially maintained at a high level, yet your list of questions asks for no information which would prove or disprove that charge.

The resolution also charges that rents have recently increased while wages of employees of apartment houses have been reduced. Your list of questions contains no question which would cover this situation.

In addition, a fair inquiry into the rental situation would go back at least to the year 1926, when rentals were at their peak, and would take into question the reductions which have been made since that time.

If you will make up a set of questions which will give the property owners a fair opportunity to present their side of the matter, we will be glad to give you that information, but we do not believe, in fairness to the property owners we represent, that we should furnish the information asked for in your questions, which do not cover the charges of the resolution and do not fairly give the property owners' standpoint.

Rents have been reduced not once but several times within the last six or seven years in most buildings, and are being reduced again this fall. Merchants, farmers, and real-estate owners are all subject to the workings of the law of supply and demand and also the economic ability of the consumer to pay, and there is no way for the real-estate owner to get away from the operation of these fundamental laws, even if he wanted to.

Very truly yours,

GEO. R. LINKINS.

Senator COPELAND. Do you have the thought, Mr. Linkins, that you are not permitted to give us any information beyond the cold answers to the questions which we ask?

Mr. LINKINS. No, I do not; but I did have the idea that those questions were not framed with the idea of getting at the true facts.

Senator COPELAND. Why do you not give the true facts?

Mr. LINKINS. Well, I will, if better questions are asked, or if you want me to give the additional information. There are lots of things here, just as Mr. Hagner said, that have not anything more to do with this case than the flowers that bloom in the spring.

Senator COPELAND. We might be different kind of florists.

Mr. LINKINS. That is true. But at the same time they have not any bearing on it. But the very thing the resolution charges, there is no question to cover it.

Senator COPELAND. You are perfectly willing to answer the questions which we have asked, provided you can give us some additional information?

Mr. LINKINS. Absolutely.

Senator COPELAND. There is no objection to that. How long will it take you to do that?

Mr. LINKINS. I can not do it until after the 1st of October.

Senator COPELAND. Have you no properties that you could give us information on now? Could you feed some of this in to us at once?

Mr. LINKINS. Well, I might, in the case of a few.

Senator COPELAND. Will you do so?

Mr. LINKINS. Well, I am not going to make any promises about when I can get it ready now. It will probably be a week or 10 days before I can get any of it ready, because there are several away from the office on vacations.

Senator COPELAND. You think probably in a week or 10 days you can begin to turn the material in to us?

Mr. LINKINS. I can, as to some of it.

Senator COPELAND. I mean in reply to the questions which have been asked?

Mr. LINKINS. There are some of those questions that I can not answer.

Senator COPELAND. If you can not answer them, all you have to do is say so.

Mr. LINKINS. Well, I certainly will.

Senator COPELAND. I noticed one thing in your letter that I want to ask you about: Do you deny that rentals are being artifically maintained at higher levels?

Mr. LINKINS. Absolutely.

Senator COPELAND. There is no sort of conspiracy or cooperation between the real-estate men of this town?

Mr. LINKINS. None whatever, and never has been. I never talk to any other office in regard to fixing rentals on properties in my life, and no other office has ever talked to me.

Senator COPELAND. Mr. Linkins, suppose I moved out of the apartment where I am and wanted to go into some other apartment, would I have any difficulty about getting in the other apartment?

Mr. LINKINS. Not if you paid your rent to the former landlord. We always do check up, and I think all offices check up, to find out if a tenant pays his rent promptly.

Senator COPELAND. Suppose you found a tenant had not paid his rent.

Mr. LINKINS. I do not think I would want to rent to him.

Senator COPELAND. You would think he was not a desirable tenant?

Mr. LINKINS. I think anybody would think that.

Senator COPELAND. But supposing I had a lease on a house or apartment, say, 2400 Sixteenth Street, terminating in 1935, and I had paid my rent up until the 1st of October of this year, could I move into one of your houses?

Mr. LINKINS. Sure.

Senator COPELAND. There would not be any interference, at all?

Mr. LINKINS. None in the world.

Senator COPELAND. In spite of the fact that I am breaking my lease?

Mr. LINKINS. Oh, you are breaking your lease?

Senator COPELAND. I have a lease now, I will say, at 2400 Sixteenth Street until the 1st of October, 1935, but I decide I am going to move this year, the 1st of October, 1932, what would you do about it if I applied to you?

Mr. LINKINS. Well, I would look very carefully into the situation. If anybody breaks a lease with someone else, they would likely break it with me.

Senator COPELAND. Then there is an artificial arrangement between you?

Mr. LINKINS. There is not.

Senator COPELAND. It is not artificial?

Mr. LINKINS. It is not artificial; it is just common sense. If you put a tenant into a property, you want to find out that you are going to get paid the rent, and he is going to keep the contract, unless you take the attitude that a man ought not to keep his contract.

Senator COPELAND. Well, suppose I feel, and the evidence that is brought to bear indicates, that my rental at 2400 Sixteenth Street was excessive and that I had tried to have it reduced, then if I made application to enter one of your apartments would you take me in?

Mr. LINKINS. I do not think in the first place that you would have any trouble in getting it reduced, because we have reduced them in a lot of cases.

Senator COPELAND. Even when people had leases?

Mr. LINKINS. Sure. We have to.

Senator COPELAND. To follow that up a moment, if you reduced the schedule of rents in a house for monthly tenants or for new tenants, would those who hold leases have the benefit of that reduction?

Mr. LINKINS. Always. We always insist on that.

Senator COPELAND. Is that the practice?

Mr. LINKINS. That is the practice in our office, and I should think it would have to be the practice everywhere. You can not get away with one rate to one tenant and another rate to another tenant.

Senator COPELAND. But if I had a lease on an apartment in a house where they were not so generous as you are, if I could not be released from it, you would not let me into your house, would you?

Mr. LINKINS. I would not say that I would not; I would look into the case very carefully, though.

Senator COPELAND. Suppose the circumstances were exactly the same as I have stated, that I felt the rate was too high and my neighbors felt so, and there was testimony given generally to that

effect, would that be sufficient reason why you would take me as a tenant, in spite of the fact that I was breaking a lease?

Mr. LINKINS. Well, I would want to look into the case very carefully. I never had that case happen. You are just supposing a case that does not happen. I never had that happen in my whole experience.

Senator COPELAND. Have you any questions to ask Mr. Linkins, Mr. Brinkman?

Mr. BRINKMAN. No; I simply want to state that, at a later date, I will offer evidence to the effect that it is required that they get a release from the person from whom they are renting at this time.

Mr. LINKINS. You can not show it is required in our office.

Mr. BRINKMAN. I do not know about your particular office. I will also show that, where reductions have been made to new tenants, the old tenants have been required to pay the same rent as before.

Senator COPELAND. Of course, I was propounding my questions, which I did not emphasize particularly, upon evidence of the same sort. I know it to be a fact that, in a few instances, at least, a tenant has, in effect, been blacklisted, and he could not move to another place.

Mr. BRINKMAN. That is true.

Senator COPELAND. And in the next place, I know of one or two instances where there has been a reduction of the general schedule but where these persons who have leases are not permitted to enjoy the benefit of the reduction.

Mr. LINKINS. Well, now, on the contrary, in two apartments—in one of them Senator Connolly had an apartment and in one of them Senator Hayden and in one of them Mr. Crisp—we made a reduction and gave everybody a reduction while their leases were running, last May a year ago.

Senator COPELAND. You are naming notable characters. Suppose it had been Mrs. John Jones?

Mr. LINKINS. It was so with everybody in the house.

Senator COPELAND. Or Mrs. William Smith?

Mr. LINKINS. It was so with everybody in the house; everybody participated in it just the same.

Senator COPELAND. Well, we have two landlords who tell us everything will be all right.

Mr. BRINKMAN. Just yesterday a case was called to my attention, on K Street, the Champlain Apartments, where the tenants were paying $65 a month, where the agent, Baskin, sent out a circular advertising the same apartments at $60, and when the tenant demanded a reduction to $60 he was refused; and another case at the Newbern, at Twelfth and Massachusetts Avenue, where reductions have been made for the new tenants. I think perhaps the lady is here who made the complaint.

Mr. LINKINS. I can not be responsible for what other people do.

Mr. BRINKMAN. I know of a case in one of Mr. Hagner's apartments, 3701 Massachusetts Avenue, where some of the old tenants had difficulty in getting the reductions that were made to other tenants.

Mr. HAGNER. I do not know, Mr. Brinkman, what you call much difficulty, because we have a copy of a letter that went to every tenant in the building, saying we were going to reduce the rent.

Mr. BRINKMAN. When was the letter sent out?

MR. HAGNER. About three months ago.

Mr. BRINKMAN. Prior to that, at least six months ago, reductions were made to some tenants and not made to others; some of them were allowed a month's free rent, and others allowed nothing.

Mr. HAGNER. We cut our rent some time ago.

Mr. BRINKMAN. That may be developed more fully later on.

Senator COPELAND. I would like to ask this question, however: Suppose when you get a tenant for a two years' lease—suppose we take a tenant who has a two years' lease, and you make a concession of a couple of months rent, and at a later time, or at this moment, for instance, you decide to reduce the schedule, would it make any difference, the fact that that tenant had that concession originally?

Mr. LINKINS. Are you asking me or Mr. Hagner?

Senator COPELAND. Yes, you.

Mr. LINKINS. No; you can not do it, Senator, with the vacancies we have in Washington now; you simply could not get away with it, if you tried it, because there are too many other apartments. There are very few of the tenants that have any responsibility; they are all judgment-proof. You could not enforce it, anyhow. There is no use in trying to get more than the traffic will bear in these times.

Senator COPELAND. As I understand the matter, Mr. Linkins, without prolonging the discussion, you will proceed at once to feed in to us the material that you can get together in the next few days, and in a reasonable time you will give us fully the information requested in the questionnaire, plus the additional information which you think we should have in order to get the full picture?

Mr. LINKINS. I will, but I want to go on record right now, Senator, that I think these questions are unfair, unless the committee could get the reductions that have been made say in 1927 or 1928, because rents were reduced long before anything ever happened originally, because we reached the peak of building and the peak of vacancies about 1927 or 1928.

Senator COPELAND. I can see no possible objection to your going back as far as you like, if you will take it by years, so that we can make the comparisons with 1929, if we wish, or any other year.

Mr. LINKINS. I think that information ought to be in as to all departments.

Senator COPELAND. Have you any objection to that, Mr. Brinkman?

Mr. BRINKMAN. No; if they want to do it. As I stated at the conference with the real estate board, if they want to include that information, it will be satisfactory.

Senator COPELAND. Would it not be a good idea, to all concerned, so they would be on the same footing?

Mr. BRINKMAN. It can be done; yes.

Senator COPELAND. I think that will be agreeable. Let us do it that way.

Mr. HAGNER. Senator, you speak of a black list; where is the headquarters of that black list; how do you get hold of it?

Mr. BRINKMAN. That will be developed later, Mr. Hagner.

Senator COPELAND. I do not think that is a fair question, when we are trying to get the information.

Mr. HAGNER. Frankly, I do not know where it is.

Senator COPELAND. I am glad of it, and I hope all of the witnesses can say the same thing.

Who is the next witness?

Mr. BRINKMAN. We might call Mr. Jacobs, of the Saul Co.

STATEMENT OF J. W. JACOBS

(Mr. Jacobs was duly sworn.)

Senator COPELAND. What have you got to say for the good of the cause, Mr. Jacobs?

Mr. JACOBS. I think, like Mr. Hagner stated, we are willing to give him the answers to the best of our ability, but we can not, if an unreasonable length of time will be required. We are in the same position as the balance of the offices; we are in the middle of the rental season and will be until the 1st of October, but we are willing to give you all of the information we can in the meantime.

Senator COPELAND. What was the date of the letter you sent out?

Mr. BRINKMAN. August 27.

Senator COPELAND. Was that the renting season also?

Mr. JACOBS. Yes; the renting season has been on for 60 days.

Senator COPELAND. Can you give us, or begin to give us, some of this information within a short time?

Mr. JACOBS. I think so.

Senator COPELAND. Well, I think that is all right. Do you want to ask him anything more?

Mr. BRINKMAN. No; I only want to make this statement, that I think most of these large concerns are financially able to put on some extra help, and it would be of benefit to the unemployed of the city if they would put on some extra help.

Senator COPELAND. That is sensible. What do you say to that, Mr. Jacobs?

Mr. JACOBS. I think the financial institutions of the town have sufficient to do to keep the employees they already have.

Senator COPELAND. Well, Mr. Jacobs, I am sure you will cooperate with us in attempting to get these facts together, being confident, if you have read the names of the committee, that justice will be done to all concerned.

Mr. JACOBS. We will be very glad to cooperate.

Senator COPELAND. Time is of the essence and we are very anxious to get this material together at the earliest possible moment.

Mr. JACOBS. We will certainly offer no objections, Senator.

Mr. BRINKMAN. Mr. Morris Cafritz.

STATEMENT OF MORRIS CAFRITZ

(Mr. Cafritz was duly sworn.)

Senator COPELAND. Mr. Cafritz, have you anything to say?

Mr. CAFRITZ. Nothing especially, sir.

Mr. BRINKMAN. We received no answer at all from Mr. Cafritz; we would like to know what his attitude is.

Mr. CAFRITZ. We are working on that information and will get it out very shortly for you.

Mr. BRINKMAN. Thank you.

Senator COPELAND. All right, anybody else?

Mr. BRINKMAN. Yes, Mr. Shea, of the Bliss properties.

STATEMENT OF JAMES McD. SHEA

(Mr. Shea was duly sworn.)

Senator COPELAND. What have you to say, Mr. Shea?

Mr. SHEA. I can get the information up during this month, I think, Senator.

Senator COPELAND. That is good.

Mr. BRINKMAN. Will the information be submitted to the committee?

Mr. SHEA. Yes; it will.

Mr. BRINKMAN. The reason I asked that may not be apparent, but I talked with Mr. Shea yesterday, and he said that he was compiling the information, but he did not know whether he was going to turn it in or not. Therefore I would like to know whether it is going to be turned in.

Mr. SHEA. Well, I hoped you would get a better inquiry out.

Senator COPELAND. Give us any further information you can, Mr. Shea.

Mr. SHEA. You have done that, so it is satisfactory to us now.

Mr. BRINKMAN. Mr. Smithy.

Senator COPELAND. What is Mr. Smithy's fault?

Mr. BRINKMAN. Mr. Smithy acknowledged receipt of the letter under date of August 29 and said he would endeavor to carry out our request, but he did not say whether the information would be submitted; and he attended the meeting of the real estate board's directors the other day, when it was practically decided they would not submit the information. So I do not know what his attitude might be now, and I would like to know.

STATEMENT OF H. G. SMITHY

Mr. SMITHY. We are now, Senator, revising our report to the Department of Justice to conform, as nearly as we can, to the questionnaire of Mr. Brinkman, and this information will be forthcoming very shortly. We can send part of it in now, but we will try to make one report out of it.

Senator COPELAND. Any others, at this time?

Mr. BRINKMAN. No; none at this time.

Senator COPELAND. Now, I want to ask you, Mr. Smithy, are you conscious of any combination between the real-estate men, putting in effect what is really a black list?

Mr. SMITHY. No, sir; I never heard of it.

Senator COPELAND. What is your attitude toward tenants in your building who have leases, when you were making a general reduction, would they get the benefit of it?

Mr. SMITHY. Absolutely. We have a uniform rate applying to each tier of apartments.

Senator COPELAND. That is true, so far as you know, in general?

Mr. SMITHY. Yes, sir.

Senator COPELAND. I did not ask you that question, Mr. Cafritz. Is that true in your case?

Mr. CAFRITZ. Yes, sir.

Senator COPELAND. That is true in your case?

Mr. CAFRITZ. Yes, sir.

Senator COPELAND. Gentlemen, I am very much obliged to you and I thank you in the name of the subcommittee. We are trusting Mr. Brinkman to get this material together for us. Some of us are variously engaged just now and expect to be engaged in some of the other functions of government, which are aside from our activities in Washington, and we will appreciate it very much if you will cooperate heartily and speedily; and you may have my assurance that justice will be done, so far as it is humanly possible for us to administer justice.

We are anxious to have rents in this city reduced. If they are actually being reduced, as you indicate, perhaps our function has been performed already. But there is not any doubt but that the incomes of the citizens of Washington are materially less than they have been.

I have been here two days now, and it seems to me that I have heard a tale of sorrow from every person I have met; and we must, so far as we can, do our full part toward relieving the situation.

The subcommittee will stand adjourned until another meeting is called.

(Whereupon, the subcommittee adjourned, subject to the call of the chairman.)

RENTS IN THE DISTRICT OF COLUMBIA

THURSDAY, NOVEMBER 10, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met at 3 o'clock p. m. in the committee room, Capitol, Senator Royal S. Copeland presiding.

Present on behalf of the subcommittee, O. H. Brinkman, Esq., its counsel.

Present also: James P. Schick, vice president of the Washington Real Estate Board; J. F. M. Bowie, former president of the Washington Real Estate Board; H. E. Doyle, vice president of Thomas J. Fisher & Co.; Charles A. Rush; T. F. Schneider; Robert W. Savage; and others.

Senator COPELAND. Gentlemen, this is a meeting of the special subcommittee of the Committee on the District of Columbia having to do with the investigation of the rental condition in the District of Columbia. Mr. Brinkman, what are we here for to-day?

Mr. BRINKMAN. The purpose of the meeting is to endeavor to get certain information which I have been unable to obtain by request.

Senator COPELAND. Do you mean that the real estate men of the District have not responded to your requests?

Mr. BRINKMAN. Some of them have not responded at all. Some of them have not responded satisfactorily or as completely as they could have responded. Others, on the other hand, have responded very fully and completely. Certain others, since the service of subpœnas upon them, have responded and those subpœenas should be discharged. The committee should make a record of those who are discharged because they have complied since the subpœnas were served.

Senator COPELAND. The names of those subpœnaed, who have complied as you state, will be noted in the record as having responded.

(Accordingly, the names are here noted, as follows: Randall H. Hagner, Rufus S. Lusk, and W. Waverley Taylor.)

Senator COPELAND. I understood there was to be no hesitation on the part of the real estate men to give you the material you wanted.

Mr. BRINKMAN. That was the assurance given at our previous hearings which we have held. I think it might be well to interrogate some of them to find out what is their present attitude.

Senator COPELAND. Very well. Whom shall we call?

Mr. BRINKMAN. I would like to call first H. Clifford Bangs.

Mr. JAMES P. SCHICK. I should like to state that Mr. Bangs had several important engagements in New York and Boston. He inquired whether or not he could be excused and he was informed that he could.

Senator COPELAND. Is he the man who was just elected to some position in the real estate board?

Mr. SCHICK. Yes. I understood from him that Mr. Brinkman said he would be satisfied if I would come here and answer your questions.

Mr. BRINKMAN. If you are authorized to speak for the board?

Mr. SCHICK. I can in certain matters. I was elected at the same time he was.

Senator COPELAND. You may be sworn.

TESTIMONY OF JAMES P. SCHICK

(The witness was duly sworn by Senator Copeland.)

Senator COPELAND. Mr. Brinkman, what do we want from this witness?

Mr. BRINKMAN. On June 1, 1932, the Washington Real Estate Board, by Mr. J. F. M. Bowie, then president of the board, wrote a letter to Senator Capper, chairman of this committee, which I might as well read into the record.

Senator COPELAND. Very well; proceed.

Mr. BRINKMAN. The letter reads as follows:

> DEAR SENATOR CAPPER: My attention was called to a news story recently appearing in the Washington Herald in which reference is made to a radio address made by you and which quoted you in connection with rentals in Washington.
>
> The story indicated that Congress and possibly some Federal agency might make some investigation into the general subject of rents for the purpose of determining whether there is any group manipulation or combination affecting rent levels.
>
> In line with the policy of cooperation which this board has always extended to Congress I place at your disposal the facilities of this board, which incidentally is the only organization in Washington devoting its entire time to matters of real estate, and if there is anything we can do to assist you or any Federal department we should consider it an honor to have you call upon us.
>
> Very truly yours,
>
> J. F. M. BOWIE, *President.*

Senator COPELAND. What is the date of the letter?

Mr. BRINKMAN. June 1, 1932.

Senator COPELAND. The Washington Real Estate Board in this letter indicates that it volunteered the statement that it would cooperate. Has it done so?

Mr. BRINKMAN. It has not at all cooperated. I made request upon them sometime ago, perhaps two months ago, when Mr. Bowie was still president, for the privilege of examining the minutes and other records of the organization. Mr. Bowie at that time orally stated that they would permit that. Yesterday I repeated the request to the new president, Mr. Clifford Bangs, and he said he did not know whether that would be permitted, that he would have to consult with his board and the officers of the executive committee, and that he would let me know to-day. So far I have heard nothing from him.

Senator COPELAND. This gentleman now on the witness stand, Mr. Schick, is the vice president and represents him, does he not?

Mr. BRINKMAN. Yes; but before asking Mr. Schick any questions I would like to put in the record a further statement of Mr. Bowie.

Senator COPELAND. Very well.

Mr. BRINKMAN. On June 17, 1932, this committee had a meeting and Mr. Bowie appeared then as president of the Washington Real Estate Board and said:

> We have tendered to this committee all of the facilities at our command to assist it in this investigation.
>
> Yesterday I had an interview with Mr. Hardy of the Department of Justice, and we have opened the doors of our board, opened our minute books and our files to the investigation they wish to make, which will give them all of the information that we have.

A little later in the same day he said:

> Now you have your Mr. Hardy, from the Department of Justice, with whom I spent an hour and a half yesterday, explaining the situation in Washington to him, to give him all the information that I have in hand, and I invited him to go, or to send anyone, or as many as needed, to the office of the Washington Real Estate Board, and look through every file, every minute book, every record that we have, and see if he can find any evidence of such combination.

I called these things to the attention of Mr. Bangs, but he still seemed unwilling to give the information, and I have not yet received permission from him to examine the records of the board and particularly the minutes of the board for a period of years. I would like to ask Mr. Schick whether he is authorized to give that permission.

Mr. SCHICK. Certainly. There is no objection to that.

Mr. BRINKMAN. You have had a meeting of the executive committee, have you?

Mr. SCHICK. We have not. We have had a conference with our officers. I think it is perfectly fair to have in the record on behalf of Mr. Bangs, however, that he has only been president of the real estate board for two or three weeks.

Senator COPELAND. How long have you been associated with them?

Mr. SCHICK. The same length of time, as vice president of the board.

Senator COPELAND. You have been active in that organization?

Mr. SCHICK. Oh, yes. The reason Mr. Bangs did not at once consent was simply that he wanted to familiarize himself with the situation. He was unfamiliar with what ought to be done. That was his only reason.

Senator COPELAND. Is there any lack of understanding on the part of the persons interested in the real estate business in the District of Columbia that there is in process an investigation?

Mr. SCHICK. I can not answer for all the people of the District of Columbia. I would say generally, no—generally there would be no misunderstanding.

Senator COPELAND. You knew?

Mr. SCHICK. Yes.

Senator COPELAND. So far as your friends are concerned, or the other gentlemen in the same business, do they know?

Mr. SCHICK. That there is an investigation?

Senator COPELAND. Yes.

Mr. SCHICK. I would think so.

Senator COPELAND. Is it your desire to cooperate with this committee?

Mr. SCHICK. Certainly.

Senator COPELAND. Do you think your organization has cooperated?

Mr. SCHICK. I can not answer for that because I have been an officer only two weeks.

Senator COPELAND. No matter, so far as its present board of directors is concerned, you intend to cooperate?

Mr. SCHICK. Certainly. Mr. Bowie, former president of the board, is here, and he can state the attitude of the board during his administration.

Mr. BRINKMAN. Has Mr. Bangs been on the board some time or was he just recently elected?

Mr. SCHICK. He has been a member of the board a great many years before.

Mr. BRINKMAN. I mean the executive committee.

Mr. SCHICK. I can not answer as to that. I do not know that.

Mr. BRINKMAN. Was there a meeting of the executive committee yesterday?

Mr. SCHICK. There was not so far as I know.

Mr. BRINKMAN. There was some sort of a meeting of the committee, was there not?

Mr. SCHICK. Not that I know of. The conference had was in my office with Mr. Bangs.

Mr. BRINKMAN. I entered the office of the board and a meeting was in progress and I think I was told it was the executive committee.

Mr. SCHICK. I can not answer as to that.

Senator COPELAND. Are you a member of the executive committee?

Mr. SCHICK. No, sir.

Senator COPELAND. Is your organization a compact group of men?

Mr. SCHICK. It is a group of real-estate men in the District of Columbia.

Senator COPELAND. How extensive is its membership?

Mr. SCHICK. About 150 members, as I recall.

Senator COPELAND. Does it include practically all the operators or owners of the chief apartment houses here?

Mr. SCHICK. I could not answer that. I would have to answer that no, because most of the apartment houses are owned by individuals and not by members of the board.

Senator COPELAND. What is the purpose of the organization?

Mr. SCHICK. The purpose of the organization is to see to it among its members that the real-estate business is conducted on a high plane.

Senator COPELAND. Do you mean high prices?

Mr. SCHICK. No, sir; a high moral and ethical standard of business.

Senator COPELAND. Do you have anything to do with fixing the prices or suggesting rentals?

Mr. SCHICK. No, sir.

Senator COPELAND. Do you ever discuss those in your organization?

Mr. SCHICK. No, sir.

Senator COPELAND. You have nothing to do with that?

Mr. SCHICK. No, sir.

Senator COPELAND. Does anybody have to do with it?

Mr. SCHICK. Anybody?

Senator COPELAND. Is there any organization that has to do with that matter?

Mr. SCHICK. Not that I know of. I never heard of one.

Mr. BRINKMAN. Did you ever hear of the Washington Association of Building Owners and Managers?

Mr. SCHICK. I have heard of it.

Mr. BRINKMAN. Where is it? What is it?

Mr. SCHICK. I do not know. I can not answer that.

Mr. BRINKMAN. How long have you heard of it?

Mr. SCHICK. I have heard of that for a number of years, five or six years.

Mr. BRINKMAN. Who was connected with it then, do you know? Do you know any officer or member of the organization?

Mr. SCHICK. I only knew of it in a general way. I do not think it was a local organization. I think it was a nation-wide organization. I do not know whether it had any local branch here or not.

Senator COPELAND. I wish you would qualify this man. Let me inquire of him. Mr. Schick, are you a real estate man?

Mr. SCHICK. Yes.

Senator COPELAND. What do you do personally as a real estate man?

Mr. SCHICK. I am president of the National Mortgage and Investment Corporation.

Senator COPELAND. You lend money?

Mr. SCHICK. We buy securities. We do not make loans.

Senator COPELAND. How long have you been in that business?

Mr. SCHICK. In this particular business about six years—that is, with this particular institution.

Senator COPELAND. Before that what did you do?

Mr. SCHICK. I have been connected with the real-estate business and its affiliations since 1906.

Senator COPELAND. Then, for a period of about 25 years you have been connected with the real-estate business in the city of Washington?

Mr. SCHICK. I have.

Senator COPELAND. By reason of that fact you should know, and probably do know, practically all of the ins and outs of the real-estate business here.

Mr. SCHICK. Is that a statement on your part?

Mr. BRINKMAN. The Senator is asking you the question.

Mr. SCHICK. What do you mean by "ins and outs"?

Senator COPELAND. Do you consider yourself well informed regarding the values of properties here?

Mr. SCHICK. I do.

Senator COPELAND. Of the rentals which should be charged?

Mr. SCHICK. I do.

Senator COPELAND. You would have knowledge if there was any combination to fix the price of rentals?

Mr. SCHICK. Senator Copeland, that is rather a difficult question to answer. I could only say in answer to that if it was common knowledge I would probably know about it. I know of no such combination and have never heard of one.

Senator COPELAND. You have not been conscious in those 25 years you have been in the business here that there has been or is any such combination?

Mr. SCHICK. I have never been conscious of one.

Senator COPELAND. It is my understanding that the prices are practically the same in all apartments of like construction and facilities.

Mr. SCHICK. I think it is a matter of pure competition, the same as the price of bread.

Senator COPELAND. I have heard a great deal about that during the last six weeks.

Mr. BRINKMAN. You say you have heard of the Washington Association of Building Owners and Managers?

Mr. SCHICK. I do not know whether it was a Washington association.

Mr. BRINKMAN. It was the Washington Association of Building Owners and Managers.

Mr. SCHICK. I never had anything to do with it and never had knowledge about it except there was a working organization of that name and it seems to me I read something of a convention held in New York or something like that five or six years ago.

Mr. BRINKMAN. You do not know that it was a local organization?

Mr. SCHICK. No.

Mr. BRINKMAN. What business were you in five or six years ago?

Mr. SCHICK. Real estate?

Mr. BRINKMAN. For yourself?

Mr. SCHICK. I was with Moore & Hill and I was secretary of the Real Estate Board.

Mr. BRINKMAN. At that time?

Mr. SCHICK. Yes; at that time.

Mr. BRINKMAN. You did not know of this organization?

Mr. SCHICK. No, sir.

Mr. BRINKMAN. It was having regular meetings then and was in existence.

Mr. SCHICK. However, I still say I knew nothing of it.

Mr. BRINKMAN. Is this organization, the National Mortgage & Investment Co., an organization that buys notes?

Mr. SCHICK. Yes.

Mr. BRINKMAN. First and second mortgage notes?

Mr. SCHICK. Yes; first and second mortgage notes.

Mr. BRINKMAN. And third?

Mr. SCHICK. No; just second.

Mr. BRINKMAN. At what discount do you usually buy your second mortgages?

Mr. SCHICK. That depends on the length of time the note is to run and the security offered.

Mr. BRINKMAN. Suppose a note has three years to run?

Mr. SCHICK. How is it secured?

Mr. BRINKMAN. I do not know. What discount do you charge on a second-mortgage note ordinarily?

Mr. SCHICK. The discount will run anywhere from 1 to 2 per cent up to 5 per cent a year.

Senator COPELAND. How much did you say?

Mr. SCHICK. From 1 to 5 per cent, depending on the value of the security.

Mr. BRINKMAN. What would be the rate of interest to be paid?

Mr. SCHICK. I assume it is 6 per cent. We buy the note as it exists.

Mr. BRINKMAN. So if you bought a note having a safe value of $5,000, having three years to run, you might invest in it $4,250 if you discounted it at 5 per cent?

Mr. SCHICK. Yes; 5 per cent per year, and I would say——

Senator COPELAND. Just a moment. Five per cent per year?

Mr. SCHICK. Yes.

Senator COPELAND. What do you mean by that? If it runs for three years it would be 15 per cent?

Mr. SCHICK. Yes.

Senator COPELAND. You would buy the note then for its face less 15 per cent?

Mr. SCHICK. Yes.

Senator COPELAND. Then you would collect the 6 per cent interest upon the face of the note?

Mr. SCHICK. Yes; and assume all the perils of that kind of security at the same time.

Mr. BRINKMAN. So you would have a flat rate, we will say, of 11 per cent per year plus the excess of 6 per cent on the money that you did not actually invest in the note—that is, on $750—so the actual return you would receive would be perhaps 14 or 15 per cent?

Mr. SCHICK. It is the same thing as buying bonds of the Government at less than face value.

Mr. BRINKMAN. Do you buy from builders?

Mr. SCHICK. Yes; we buy from builders.

Mr. BRINKMAN. Do they sell them directly to you or some one in your employ?

Mr. SCHICK. They sell directly to the company.

Mr. BRINKMAN. Was your company recently involved in a lawsuit in the Court of Appeals of the District of Columbia?

Mr. SCHICK. There was some litigation in the court of appeals; yes.

Mr. BRINKMAN. In that case did the court of appeals hold that your company was engaged in a usurious transaction?

Mr. SCHICK. It intimated there was usury in that transaction, but that was many years ago when the company was operated by an entirely different administration and group of men than it is to-day.

Mr. BRINKMAN. With whom was that transaction had?

Mr. SCHICK. With the Provident Relief Association.

Mr. BRINKMAN. Was that an insurance organization?

Mr. SCHICK. I think so. I know nothing about the inception of that thing. That was long before my time.

Mr. BRINKMAN. Very well. Now let me ask you——

Senator COPELAND. Are you about to leave that matter, Mr. Brinkman?

Mr. BRINKMAN. Yes; for a later hearing.

Senator COPELAND. Let me ask a question before we leave that subject. You say the sins committed by the old company are not being practiced now by the present company?

Mr. SCHICK. No, sir.

Senator COPELAND. The things that were criticized by the court are not practiced by the company to-day?

Mr. SCHICK. No, sir.

Senator COPELAND. Mr. Brinkman, are you going to bring out all the facts about this matter?

Mr. BRINKMAN. I propose to take up generally the situation as it relates to how much money costs in this town, not perhaps this particular company, but the cost to the citizen.

Senator COPELAND. The thought I have in mind will be covered by what you intend to bring out later?

Mr. BRINKMAN. Yes, sir.

Senator COPELAND. Very well; proceed in your own way.

Mr. BRINKMAN. Mr. Schick, you are connected with the Real Estate Board. You are vice president of the Real Estate Board?

Mr. SCHICK. I have been for a few weeks.

Mr. BRINKMAN. I have here a letter sent out on September 23 by Mr. Bowie, then president of the real-estate board, asking the members of the board to compile and send in to the board "certain information concerning the cost of operation, vacancies, rent reductions, and income of apartments." The letter says that "this information will be analyzed and presented to the Senate District Committee in an effort to show that there is no necessity to regulate rents and that taxes should be reduced." It tells them to send in the information by November 1 to the board, and to send three copies; that the material will be analyzed by Mr. Rufus S. Lusk under the direction of the board's executive committee. The last paragraph of the letter says that "the cost of compiling this information is being borne by a few members of the board."

Yesterday Mr. Bangs, in giving me this letter at my request, stated that that statement was not true, that the cost of compiling the information would not be borne by a few members of the board but would be borne in some other way, but did not make clear how it would be borne. We are anxious to determine what arrangement was made in the first place—who was to bear that cost.

Mr. SCHICK. I can not answer that. I was not a member of the board.

Mr. BRINKMAN. Do you know who will pay Mr. Lusk now?

Mr. SCHICK. I can not answer that.

Mr. BRINKMAN. You do not know what compensation he is getting?

Mr. SCHICK. No, sir.

Mr. BRINKMAN. Any arrangement of that kind was made before you became an officer?

Mr. SCHICK. Yes.

Mr. BRINKMAN. When was that?

Mr. SCHICK. I think the 10th of October, just about a month ago.

Senator COPELAND. What was the name of that organization that had trouble in the courts recently? What was the title of that company?

Mr. BRINKMAN. The National Mortgage & Investment Co.?

Mr. SCHICK. You mean my company?

Senator COPELAND. Is that your company?

Mr. SCHICK. If you are referring to this particular piece of litigation, that was our company against the Provident Relief Association.

Senator COPELAND. Is that the defense raised, that you charged usury?

Mr. SCHICK. The case has been in court five or six years. It was before my time with the company. The question that the company charged usury was made an issue, and they attempted to set that up as a defense against foreclosure proceedings. The court held it was not a defense againt foreclosure.

Senator COPELAND. That it was not a defense?

Mr. SCHICK. That it was not. They took it to the court of appeals and the court of appeals affirmed the lower court on that point, but said in their opinion that there was usury in that transaction and that we were entitled to recover only the exact amount which was paid for the note.

Senator COPELAND. What was the arrangement in that case, do you remember?

Mr. SCHICK. At the inception of it?

Senator COPELAND. Yes.

Mr. SCHICK. As I said, that is an old transaction that occurred before I went with the company.

Senator COPELAND. How many years?

Mr. SCHICK. Several years before I went with the company.

Senator COPELAND. These practices have been abandoned now?

Mr. SCHICK. We do not make loans directly and charge a commission for doing it; no, sir.

Senator COPELAND. Suppose a man wants to discount such a note, you would charge him 5 per cent a year?

Mr. SCHICK. We would not be interested unless the note was already in existence and owned by some third party.

Senator COPELAND. It could not come directly to you?

Mr. SCHICK. No. sir.

Senator COPELAND. Is that amount of 5 per cent per year the stated amount charged or the usual amount charged?

Mr. SCHICK. It depends upon how valuable the security is. There are some notes you could not afford to buy if you charged 90 per cent.

Senator COPELAND. Have you sometimes charged more than 5 per cent?

Mr. SCHICK. No; I do not think so. We would not be interested in any security that would require more than 5 per cent in the way of discount.

Senator COPELAND. How much less than 5 per cent do you charge?

Mr. SCHICK. Down as low as 1 per cent.

Mr. BRINKMAN. Are you willing to say that in no instance you have charged more than 5 per cent?

Mr. SCHICK. No; I would not say that because there are very many transactions.

Mr. BRINKMAN. There may have been some transactions where you did charge more than 5 per cent?

Mr. SCHICK. Oh, yes.

Senator COPELAND. I did not understand that to be your answer to me.

Mr. SCHICK. Mr. Brinkman asked me if our company ever charged more than 5 per cent a year. I said there were hundreds of transactions, but I could not answer for them all. I have not been there when all the transactions were had.

Senator COPELAND. Do you know of any transaction where more than 5 per cent was charged?

Mr. SCHICK. I do not recall any.

Mr. BRINKMAN. That 5 per cent is in addition to the regular 6 per cent rate of interest?

Mr. SCHICK. Oh, yes; it is a discount on the paper because it is a secondary security.

Mr. BRINKMAN. On these second-mortgage notes or securities that you buy, is the regular interest rate more than 6 per cent?

Mr. SCHICK. No; it is usually 6 per cent. There was a time a few years ago when the legal rate of interest was increased to 8 per cent and some notes were made at a higher rate, but the usual rate is 6 per cent.

Mr. BRINKMAN. That is all, Mr. Schick.

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Senator COPELAND. You may be excused, Mr. Schick. Whom do you want next, Mr. Brinkman?

Mr. BRINKMAN. I want to call Charles J. Rush.

Senator COPELAND. Mr. Rush, have you been sworn?

Mr. RUSH. No, sir; not as yet.

TESTIMONY OF CHARLES J. RUSH

(The witness was duly sworn by Senator Copeland.)

Senator COPELAND. You may proceed, Mr. Brinkman.

Mr. BRINKMAN. I want to determine from Mr. Rush just who has responded to their questionnaire, which is entirely separate from ours.

Senator COPELAND. You may proceed in your own way.

Mr. BRINKMAN. You are secretary of the Washington Real Estate Board?

Mr. RUSH. I am.

Mr. BRINKMAN. Have you with you a list of those who have complied with your request for data?

Mr. RUSH. Before answering you may I be permitted to make one statement to offset an erroneous impression that has been created?

Senator COPELAND. Very well.

Mr. RUSH. The Washington Real Estate Board elected new officers on October 11. I was the newly appointed secretary, appointed on October 1 of this year. All of the things that had transpired prior to that time are in the records of the organization; but the new officers, as well as myself, carrying on the new work of the organization with the new officers, committee appointments, publications, and so forth, have not had an opportunity to familiarize ourselves with the various statements or the hearings which have been held in the past. Several days ago Mr. Brinkman called at our office and I told him that we were very glad at that time to send out letters to our members urging their cooperation in completing the questionnaires. I also stated at the time that one member had sent him several of our questionnaires and had requested their return to us so we could complete them, but Mr. Brinkman has not yet complied with our request although he said he would have a photostatic copy made and return them.

The executive committee of the real estate board met yesterday morning. We did not discuss the rental legislation committee, although we did discuss certain expenses that were coming up, not in line with this, but other matters. Mr. Brinkman happened to come in and the assistant secretary shut the door, naturally, because our business is our own until we know with whom we are speaking. If it had been known it was Mr. Brinkman, we might have left the door open, because it was nothing to do with him.

Mr. BRINKMAN. I did not have any objection to it.

Mr. RUSH. I know, but you mentioned it and I want you to know why we shut the door.

Senator COPELAND. Your board was reorganized on the 1st of October?

Mr. RUSH. No, sir. New officers were appointed.

Senator COPELAND. Is that the regular time?

Mr. RUSH. Yes, sir; October 10 or 11 is our annual meeting held each year and new officers were appointed.

Senator COPELAND. So the meeting of October 1 was the usual customary meeting?

Mr. RUSH. Yes; the customary meeting. It was our annual meeting of the Washington Real Estate Board held at the Willard on that evening.

Senator COPELAND. At that time quite a change in the officers of the real-estate board took place this year?

Mr. RUSH. An absolute change. The president, the first vice president, the second vice president, and the secretary-treasurer—myself.

Senator COPELAND. Is it a common thing to have such a revolutionary change?

Mr. RUSH. Yes, sir; it is usual. Seven new directors were elected at the annual meeting.

Senator COPELAND. What is the total number of your directors?

Mr. RUSH. Fifteen, including the three officers.

Senator COPELAND. The seven new directors were all new and had not served before?

Mr. RUSH. They had not severed before.

Senator COPELAND. You did not reelect any of the old directors?

Mr. RUSH. No, sir. They serve for continuing 2-year terms. Six or seven are elected every other year. We hold over like the Members of the Senate do.

Senator COPELAND. Did you last year change so many of the directors as you did this year?

Mr. RUSH. Either six or seven. I have not had an opportunity to study it, but that is the customary procedure in the real estate board.

Senator COPELAND. The fact that there is an investigation going on had nothing to do with the change in personnel?

Mr. RUSH. Nothing. We are not that kind of an organization.

Senator COPELAND. You are not particularly disturbed in any way by the investigation, are you?

Mr. RUSH. We are cooperating, and that is what I am trying to bring out. Yesterday afternoon Mr. Brinkman came in the office. He asked to see the records. Not having authority from the board of directors directing us to show the records to anyone, Mr. Bangs, not knowing what had transpired in the past, made the statement to Mr. Brinkman that if he would give him a little time he would notify him yesterday afternoon—not to-day, Mr. Brinkman. Mr. Bangs told you he was going to New York at 3 o'clock. You said, "When can you let me know?" He said, "I will let you know this afternoon. I will call the other officers by telephone." So he did not say he would notify you to-day.

Mr. BRINKMAN. I think I said either yesterday or to-day.

Mr. RUSH. You said to-day, and I wanted to correct that, because Mr. Bangs would have complied if he had not gone to Senator Copeland's office and had to go out of town.

Mr. BRINKMAN. The fact is, however, that he has not let me know yet.

Mr. RUSH. He had no opportunity, but he delegated Mr. Schick to come here and represent him at this meeting and to turn over to you the minutes of the Washington Real Estate Board.

Senator COPELAND. Did Mr. Schick do that?

Mr. RUSH. Yes, sir.

Senator COPELAND. Did he give us the minutes?

Mr. RUSH. No. They are in our office. They are available.

Mr. BRINKMAN. That is the first intimation I have had that they would allow me to see them.

Mr. RUSH. You did not come back to give us an opportunity to talk to you.

Mr. BRINKMAN. He did not communicate with me.

Mr. RUSH. He went to Senator Copeland's office.

Mr. BRINKMAN. I saw him later and he said at that time nothing about letting me see the records.

Mr. RUSH. I do know he tried to comply and did comply to show cooperation, because our first vice president is here to-day to cooperate with the Senate committee.

Senator COPELAND. I would like to ask about that. Mr. Brinkman, we have dealings with a certain number of gentlemen who were then in charge of this organization. Have we got to begin all over again and deal with a new set of officers?

Mr. BRINKMAN. That is the way it struck me yesterday.

Senator COPELAND. When is the next election?

Mr. RUSH. One year later.

Senator COPELAND. Then we have a year to go.

Mr. RUSH. Let us hope not.

Mr. BRINKMAN. How far does your authority extend in the matter of letting me examine the records, particularly the minutes, and what about the other records?

Mr. RUSH. What other records are pertinent to inquiry in this connection?

Mr. BRINKMAN. The records of the executive committee.

Mr. RUSH. They are in the same book and available. This organization has nothing to conceal. The Real Estate Board of Washington is a part of a nation-wide organization of real-estate men working to gether to develop their own business. It is not a price-fixing combine. We have never attempted to fix prices.

Senator COPELAND. Will you permit me to say—and this is no reflection upon you personally—you say you have nothing to conceal. Have you anything to reveal?

Mr. RUSH. All the information that the board has. As stated, it is willing to cooperate.

Senator COPELAND. We have been trying for months to get certain information and we have not had it.

Mr. RUSH. Mr. Brinkman asked the question a moment ago for the names of the firms who had sent in the questionnaires. I think you realize there are many hundreds of apartment buildings in Washington. I really do not know the number, because I have not had an opportunity to check them with the Census Bureau or the building permit office, but there are hundreds of them and it is impossible to get those reports in one-two-three order as fast as we expect. The previous committee thought in the meeting that it would be four to six weeks, and if we sent out the questionnaires and requested the members to get them in by November 1, that it could be done. We sent to 78 offices, and 33 offices have so far complied with our request. Whether or not they have sent in all their apartment houses, I do not know. I hardly think they have, because there are many hundreds of buildings, and each of the questionnaires requires the services of

trained accountants to dig out the information. Here is the list, and I am glad to submit it for the consideration of your committee.

Mr. BRINKMAN. You have testified about a conversation between myself and Mr. Bangs.

Mr. RUSH. Yes.

Mr. BRINKMAN. You will recall I said to him that if the organization had nothing to conceal, they should have no objection to my examining the minutes.

Mr. RUSH. Of course not.

Mr. BRINKMAN. At the same time he was unwilling to let me do so.

Mr. RUSH. Because of the fact that we did not know what the executive committee and the board of directors had authorized in the past. We knew they had authorized the Department of Justice and that the Department of Justice has checked over the information of the real-estate board, which information is available whenever you wish it. They have all that information.

Mr. BRINKMAN. There was present a Mrs. Richards.

Mr. RUSH. She is assistant secretary.

Mr. BRINKMAN. She was familiar with what had transpired during Mr. Bowie's regime, was she not?

Mr. RUSH. She has no authority to do anything.

Mr. BRINKMAN. She was familiar with what had occurred, was she not?

Mr. RUSH. I do not know.

Mr. BRINKMAN. Is she here?

Mr. RUSH. No; she is not here. She was not subpœnaed.

Mr. BRINKMAN. No; but she usually comes.

Mr. RUSH. I know; but we have work to carry on in my absence.

Mr. BRINKMAN. I want it a matter of record that Mrs. Richards knew I had been given permission to examine those records.

Mr. RUSH. Mr. Bangs and myself were not in a position to know.

Mr. BRINKMAN. If you had asked her at that time she could have given you that information.

Mr. RUSH. If you had waited five minutes we could have given you an answer.

Mr. BRINKMAN. I waited all afternoon.

Mr. RUSH. Not at our office.

Mr. BRINKMAN. At my own office.

Senator COPELAND. Do I understand, regardless of the past, that we are to have access to those records of the board and of the executive committee now?

Mr. RUSH. Yes, sir.

Senator COPELAND. We had that permission before, as I understand it, but you did not give access, did you?

Mr. RUSH. He never attempted to get it.

Mr. BRINKMAN. I had been engaged on other matters and postponed it, but when I applied for the purpose of examination I was told that I would have to wait until they got further permission.

Senator COPELAND. As I understand from this witness and from Mr. Schick, you are now given permission to consult their records.

Mr. BRINKMAN. Some of the records.

Mr. RUSH. Those are the only official records of the organization.

Senator COPELAND. What about its correspondence and its accounts?

Mr. RUSH. Get an accountant and bring him there. It would be perfectly satisfactory. I have no authority, gentlemen, but you have the authority to come in there and subpoena any information you wish. I am giving you only the information I have taken from the records in the board's office and the minutes of the board of directors and the executive committee.

Senator COPELAND. Do you not think it would be a very nice thing for your organization and for other real-estate men to understand that this investigation is going to be completed? It ought not to be necessary for us to have to resort to the courts or to have to issue subpœnas to get the information. I want to make it perfectly clear that this investigation is going on and we are going to reach a conclusion. It ought to be for your peace of mind and for the stability of values here to have the investigation ended as soon as possible. As for myself, I am not in sympathy generally with investigations, but here is an investigation which has been ordered, and I give you my word it is going to be completed. You could help us tremendously if you would, and not compel us to wait for you to have an opportunity to consult the president or the vice president or the general manager or the secretary. Why do you not put your cards on the table and let us go forward with our work?

Mr. RUSH. Could you speak for a corporation of which you were one of the minor cogs?

Senator COPELAND. No.

Mr. RUSH. There you are. I am in that position. I am going the limit for you whenever I can do so; but I want cooperation from your investigator. He did not cooperate yesterday. He did not attempt to cooperate. If he does not cooperate, can you expect me to be willing to cooperate with him? Hardly.

Senator COPELAND. Of course I do not grant all your premises, and perhaps I was preaching at you when I had in mind some one else. I want the real-estate men of Washington to understand that this investigation is going to be made.

Mr. RUSH. And they are with you to make it.

Senator COPELAND. Then why do they not help us?

Mr. RUSH. Beacuse they can not give the information Mr. Brinkman is requesting be presented to him until it has been obtained. He sees 33 names. Seventy-eight firms have been requested to furnish information. Can we make a man give the information right on time?

Senator COPELAND. We can help to make him.

Mr. RUSH. Mr. Brinkman knows what the questionnaires are and what we are trying to do and we are cooperating. Do you think we would spend our money to write these members and ask them to get this work in that we were not really trying to find the true situation regarding rentals? We are as much interested in that as the Senate subcommittee or any other body in the United States. We want this matter settled, and settled right away. There is the only way we can get it, and it takes time to get the information.

Senator COPELAND. I think it will help you to get the information if it is thoroughly understood by the real-estate men of this city that this committee means business. I do not accuse you of it, but if anybody in this great industry has the thought that by writing letters or standing on technicalities or deferring answering this question or that,

that the investigation may die out after a while, I want to give the assurance that it is not going to do that. We are going forward with this work. My plea to you, and through you to the other men of the industry, is to help us to get through with it and then we will make our report and then it will be for the Congress to determine what it will do with the report. So far as the subcommittee is concerned, I know I speak for its members when I say we are determined to do a good job and we ask you to cooperate in order that we may do it.

Mr. RUSH. I will cooperate to the best of my ability.

Mr. BRINKMAN. Answering you, Mr. Rush, the lack of cooperation yesterday was on the part of the real-estate officers or employees. I had previously had an agreement with the officers of the board that they would allow me to examine the records, but when I came to make the examination of them, they refused to permit me.

Mr. RUSH. That is a misstatement.

Mr. BRINKMAN. Let me finish my statement. I did not interrupt you when you were making your statement.

Mr. RUSH. I know, but that is a misstatement. That is a misstatement about the officers who are in the organization. I could not know what was going on before I became an officer.

Mr. BRINKMAN. Let me finish my statement. I did not interrupt you. They told me they would let me know later, either that day or the next day, to examine their records. That statement was made in the presence of one of my assistants. They let me know nothing, and I heard nothing from them until Mr. Schick came here to-day after the subpœna had been served upon him, so that from about 12 o'clock yesterday noon until now, about 3.30 o'clock this afternoon, they may have debated the matter or conferred among themselves or examined the minutes themselves, but in that interval I heard nothing from them.

Mr. RUSH. You came in with Mr. Kilmain yesterday afternoon. You passed this subpœna to me in an envelope and immediately left before I had an opportunity to say a word. I had two other folks in the other room, but you would not be kind enough to stay there and wait a minute.

Mr. BRINKMAN. You had no authority, had you?

Mr. RUSH. I had the information, yes; but you would not wait for it.

Mr. BRINKMAN. Did you telephone me?

Mr. RUSH. No.

Senator COPELAND. The committee is interested in that possibly. We are interested in getting this information. We want the facts, and it is the business of the real-estate people to give us the facts through Mr. Brinkman. Let us go ahead.

Mr. BRINKMAN. You were officially appointed October 1?

Mr. RUSH. I was.

Mr. BRINKMAN. Before that you came here and was in the offices of the board?

Mr. RUSH. For several meetings that were held.

Mr. BRINKMAN. About what day did you then begin visiting the office of the board?

Mr. RUSH. When I first made application for the job.

Mr. BRINKMAN. I will see about that; but after you had been assured of employment, when did you remain in the office?

Mr. RUSH. I did not stay in the office of the board. I came down and only attended meetings of the various committees—the membership committee, and so on.

Mr. BRINKMAN. About what date did you begin to visit the offices?

Mr. RUSH. I will not say.

Mr. BRINKMAN. About what date?

Mr. RUSH. Some time in September.

Mr. BRINKMAN. About the middle of September?

Mr. RUSH. I do not remember.

Mr. BRINKMAN. Did you ever attend a meeting when this letter was drafted or authorized to be sent out, the letter of September 23?

Mr. RUSH. No.

Mr. BRINKMAN. You had nothing to do with sending that letter out?

Mr. RUSH. I had nothing to do with sending it out.

Mr. BRINKMAN. You did not attend that meeting?

Mr. RUSH. No; I had nothing to do with sending out the letter. The letter may have been discussed, but not being an employee of the organization it would be rather presumptuous for me to say anything.

Mr. BRINKMAN. I am just asking the question.

Mr. RUSH. I am giving my answer.

Mr. BRINKMAN. You knew nothing about this letter before it was sent out?

Mr. RUSH. I did not know anything about it until after I took over the office.

Mr. BRINKMAN. Do you know who is paying for the compilation of the information?

Mr. RUSH. The Washington Real Estate Board.

Mr. BRINKMAN. Out of its treasury or by special assessment?

Mr. RUSH. It has not been determined, but I assume it will be by special assessment through its members.

Mr. BRINKMAN. On what basis, do you know?

Mr. RUSH. I have no knowledge.

Mr. BRINKMAN. Has the board taken any action as to the basis of its assessment?

Mr. RUSH. Not as yet.

Mr. BRINKMAN. How do they determine who is to pay the costs?

Mr. RUSH. I do not know.

Mr. BRINKMAN. Do you know who engaged the services of Mr. Lusk?

Mr. RUSH. I do not know; but I assume the president of the organization.

Senator COPELAND. Is there anybody here who could tell?

Mr. BRINKMAN. I think so.

Mr. BOWIE. I can answer all these questions.

Senator COPELAND. Go ahead, Mr. Brinkman.

Mr. BRINKMAN. You are listed here as having information from Thomas J. Fisher & Co. and from H. L. Rust & Co. Is that right?

Mr. RUSH. I presume so. I did not tabulate the list.

Mr. BRINKMAN. This is a correct list, is it not?

Mr. RUSH. It is a correct list of the reports that came in.

Mr. BRINKMAN. Do you know whether H. L. Rust sent in a considerable number of answers to your questions?

Mr. RUSH. I do not know.

Mr. BRINKMAN. Do you know whether they answered on the form you sent out?

Mr. RUSH. I know they used the form.

Mr. BRINKMAN. You know that?

Mr. RUSH. Yes; because all the answers coming into our office are on that form.

Mr. BRINKMAN. What about Thomas J. Fisher & Co.? Have they answered on the form?

Mr. RUSH. All the forms coming into our office, if you want me to repeat it again, come in on that form. We have only one standard form that we sent out. You have received a copy of it.

Mr. BRINKMAN. That is all for the time being.

Senator COPELAND. You may be excused, Mr. Rush, for the time being. Whom do you want next, Mr. Brinkman?

Mr. BRINKMAN. I will call Mr. Bowie.

FURTHER STATEMENT OF J. F. M. BOWIE

Senator COPELAND. Mr. Bowie, you have been previously sworn?

Mr. BOWIE. Yes, sir.

Mr. BRINKMAN. Mr. Bowie, let me ask you——

Mr. BOWIE. If you will permit me first——

Mr. BRINKMAN. I would rather ask you questions.

Mr. BOWIE. I am not making this statement except for the purpose of clarifying some things discussed here. First, the cost of obtaining the data in the questionnaire we are getting up. There is no doubt about who is going to pay for that. We are going to pass the hat around and get the cost from whomever we can. There were some representatives who proposed——

Mr. BRINKMAN. May I interrupt you, so long as we are on that subject?

Mr. BOWIE. You may.

Mr. BRINKMAN. You sent out a letter over your signature on September 23, which I read, and in this letter you said, "The cost of compiling this information is being borne by a few members of the board." Who were those "few members"?

Mr. BOWIE. We do not know. We have not been to them yet.

Mr. BRINKMAN. Who are they supposed to be?

Mr. BOWIE. Whoever we could get it from. Many of the members of the board are not interested in this rental legislation at all. We could not hope to get it from them.

Senator COPELAND. Do you mean they do not own property of the kind that we are investigating?

Mr. BOWIE. They do not handle rental property. They are not interested in it.

Mr. BRINKMAN. Who was one of the members? Was H. L. Rust & Co. one?

Mr. BOWIE. They will certainly contribute.

Mr. BRINKMAN. Had they agreed at the time this letter was sent out?

Mr. BOWIE. They have not. They have not yet agreed.

Mr. BRINKMAN. You must have had some basis for it. You say it will be borne by a few members of the board.

Mr. BOWIE. It means exactly what it says.

Mr. BRINKMAN. I should think you would mean "some" members of the board.

Mr. BOWIE. A few members of the board, because we expect that only a few will be interested enough in it to make a contribution.

Now, if I may proceed——

Mr. BRINKMAN. Go ahead.

Mr. BOWIE. Senator Copeland, there was an intimation that this overturn, so to speak, in the Washington Real Estate Board last month may have been due to some need of change of policy or what not. Let me say now I was requested and asked to serve for another year as president of the Washington Real Estate Board. The duties being too heavy, I felt that I could not give it that much time.

Senator COPELAND. What you want to say is that the rather radical change which you had in your officials was not influenced at all by anything that this committee is doing?

Mr. BOWIE. Not one iota. I want to state further that I was authorized to make to this committee and to tender to this committee our offices in assisting them in this investigation, that our books and our doors and our records were open to the Department of Justice that had been designated by this committee to make that investigation. I have never stated that they were open to Mr. Brinkman.

Senator COPELAND. Did we ask the Department of Justice to do that?

Mr. BRINKMAN. Senator Capper wrote a letter before the resolution was passed asking the Department of Justice to investigate charges of a combine here and the Department of Justice made some little inquiry, but before it had completed its work the Senate passed the resolution and the Department of Justice thereupon ceased its investigation.

Senator COPELAND. That confirms my recollection.

Mr. BRINKMAN. I have never had any access to the Department of Justice records.

Mr. BOWIE. This document [laying a typewritten document upon the table] represents about four weeks' time that one clerk in our office put in to getting up information that was asked for by the Department of Justice.

Senator COPELAND. You mean previous to the appointment of this committee?

Mr. BOWIE. I mean previous to the appointment of Mr. Brinkman.

Senator COPELAND. Is that some of the material we are seeking now?

Mr. BOWIE. In some respects now.

Senator COPELAND. Have you had access to this, Mr. Brinkman?

Mr. BRINKMAN. I have never seen it.

Senator COPELAND. Are you submitting this to us for our use?

Mr. BOWIE. I simply brought it over to show what effort had been made before Mr. Brinkman's questionnaire for information that was requested of us by this committee.

Senator COPELAND. Did you have the feeling that since you had responded to the Department of Justice it was unnecessary to duplicate the work or to put it in form for this committee?

Mr. BOWIE. We had; and we so stated to Mr. Brinkman. We spent a whole afternoon with him trying to get him to simplify his questionnaire so it could be done at a minimum of cost to us and at a minimum amount of trouble.

Senator COPELAND. Are you speaking now of a private conference you had with Mr. Brinkman or the discussion we had here in the committee?

Mr. BOWIE. It was a private discussion with Mr. Brinkman in the office of the Washington Real Estate Board.

Mr. BRINKMAN. It has been incorporated in the record of our previous hearings.

Senator COPELAND. Then because of that feeling of your group that the work had already been done for the Department of Justice, you felt it unnecessary to do any more?

Mr. BOWIE. We protested against it. We called Mr. Brinkman's attention to it. We wanted Mr. Brinkman's questions simplified. A lot of information was asked for that we regarded as totally irrelevant and that could not possibly be of any help to this committee. Mr. Brinkman said, "You can not dictate to the committee the kind of questions that ought to be asked." Let me quote this from the record. This is me speaking [reading]:

> If you will indicate, as I requested at the beginning, just what you desire to show, I think that we can formulate answers that will give you the information you want in an acceptable manner to you and at the same time minimize inconvenience and cost to the brokers of Washington.

Mr. Brinkman then said:

> Well, I think you understand, Mr. Bowie, that the Senate committee is not particularly interested in the minimum cost. It is interested in getting the information that is requested by the Senate under this resolution which was passed unanimously.

Notwithstanding that, we requested our board members to cooperate and answer Mr. Brinkman's questions as best they can. Many of them, as I have stated to him, it is impossible for us to answer. We have had a lot of discussion about who is responding to the questionnaire that the board is not getting out. I do not think, Senator, that Mr. Brinkman has any interest in that whatsoever. That is not his work. He has not asked us to do it. We have asked the committee's permission to do it and we are doing it. When it is complete and analyzed, it will be placed at your disposal.

Senator COPELAND. When would that be?

Mr. BOWIE. That will be before the 1st of December.

Senator COPELAND. Did we not have some promise heretofore?

Mr. BRINKMAN. Yes.

Mr. BOWIE. Yes; we had some promises. I told you that I thought we could have all the information asked for in Mr. Brinkman's questionnaire, and that was, up until just recently, apparently all that he was interested in—that we would have it ready by the 1st of November.

Senator COPELAND. That was my recollection. My recollection is that it was understood here in the committee that by the 1st of November we would have this material. What does the record show?

Mr. BRINKMAN. On September 9 Mr. Bowie appeared and you asked whether he represented Rust & Co. and he said he did. He stated when you asked him whether he represented the Rust Co.:

> Representing the H. L. Rust Co., I would say in respect to the questions that we will answer them to the best of our ability

Then Senator Copeland inquired, "But you are now prepared to come forward and answer the questions to the best of your ability?" Mr. Bowie replied, "As expeditiously as we possibly can." Then followed:

> Senator COPELAND. What does that mean—that we can expect a very prompt reply from you?
> Mr. BOWIE. We are in the busiest season of our year, Senator. We can not turn this work over to a person who is not familiar with the properties; we have to use our own force and organization to compile the data.
> Senator COPELAND. How long will this busy season last?
> Mr. BOWIE. Until the 1st of October.
> Senator COPELAND. That is a period of three weeks?
> Mr. BOWIE. About three weeks.
> Senator COPELAND. Well, could you give us the information with reference to some of the properties that you have?
> Mr. BOWIE. Oh, yes; we could give it to you as we complete it for each building if you would like to have it in that way.
> Senator COPELAND. That would be helpful, would it not, Mr. Brinkman?
> Mr. BRINKMAN. That is what we asked for.

Then the discussion went on to other matters.

Senator COPELAND. Have you had any information with reference to certain buildings?

Mr. BOWIE. Might I ask a question, Senator? Mr. Brinkman, you got the answers from our office before the 1st of November, did you not?

Mr. BRINKMAN. I did. We have the answers here, and I find that those answers are not responsive to some of the most important questions we asked.

Senator COPELAND. Are they generally unresponsive?

Mr. BRINKMAN. They furnish some of the information.

Senator COPELAND. Are some of the answers responsive?

Mr. BRINKMAN. No; all of the answers are the same. They are on a mimeographed sheet, double spaced typewriting, occupying less than one full page for each apartment.

Senator COPELAND. Were the answers evasive?

Mr. BRINKMAN. They avoided entirely some of the questions I asked. They failed to answer entirely some of the questions asked.

Senator COPELAND. Did the Rust Co. answer your questions?

Mr. BRINKMAN. That is the company I am talking about, the H. L. Rust Co.

Senator COPELAND. Is all this [indicating] from his company?

Mr. BRINKMAN. It is all from his company, one sheet for each apartment.

Senator COPELAND. Then even the Rust Co., represented by Mr. Bowie who was familiar with the whole thing, has not been responsive?

Mr. BRINKMAN No; it has not furnished the information asked for.

Mr. BOWIE. Senator, we have told Mr. Brinkman from the beginning that there were questions on his questionnaire that we could not answer and he understood just as well as I did that we could not answer them.

Senator COPELAND. For instance, "insurance on the property," is one of the questions you could not answer?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Is there no way that could be had?

Mr. BOWIE. Perhaps so, yes.

Senator COPELAND. I happen to have before me the questionnaire relating to the Ambassador. I am not familiar with that apartment house. I notice it says, in answer to the question "Insurance on property," "Do not know." Where are the insurance policies on the Ambassador kept?

Mr. BOWIE. As I have stated in our conferences with Mr. Brinkman as a reason why we could not answer that question, when we make a loan on a piece of property the lenders of the money require certain insurance. The owners are obliged to comply with that amount of insurance. If you had asked for that I could have given it to you. These owners carry additional insurance. We do not know how much. We do not know where it was written. We do not know anything about it. We could only tell you about just such insurance as we have. We will be glad to give you that if you want it, but it will not tell you the truth about it. All that was explained to Mr. Brinkman at the time we endeavored to cooperate with him to formulate a questionnaire that we could answer.

Senator COPELAND. Did we not ask you some further questions about whether you have reduced your rents or not?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Did you answer them?

Mr. BOWIE. On this questionnaire?

Senator COPELAND. Yes.

Mr. BOWIE. Yes, sir.

Senator COPELAND. You did answer them?

Mr. BOWIE. Yes, sir. I have given the schedule of rents in September, 1928, and in October, 1932.

Senator COPELAND. There are certain questions you say you can not answer. In many instances you could not answer the question as to "Last sale or foreclosure price of property." We did ask this question, for instance: "Reductions or increases made in 1932." Could you not answer that?

Mr. BOWIE. We could. There was considerable discussion and that question was modified at the time of our discussion with Mr. Brinkman.

Mr. BRINKMAN. That question was not modified and the record will so show.

Senator COPELAND. Would you know, as an operator of the Ambassador, whether in 1932, which is this year, you made any reductions or increases in your rentals?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Why did you not tell us those?

Mr. BOWIE. They are included in the $3,600 or, rather, in those figures you see before you there.

Senator COPELAND. That is, in 1928 your total rentals from the Ambassador were $39,840, and in October, 1932, they were $36,330. That shows the difference between 1928 and 1932, but we asked you specifically for any reductions or increases made in 1932.

Mr. BOWIE. You will find the schedule in June 1 of 1932 in the information that we have sent to the Department of Justice. Mr. Brinkman can have that if he will return it to me.

Mr. BRINKMAN. I do not want it. It is nothing to do with my questions. I return it to you now [handing document to Mr. Bowie].

Mr. BOWIE. You do not want that?

Mr. BRINKMAN. No; I do not want it now.

Senator COPELAND. Are you familiar with the reductions or increases which were to be made or which were made on October 1, 1932?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Why not tell us?

Mr. BOWIE. They are in here [indicating].

Senator COPELAND. They are in this blanket arrangement of item 5 that between 1928 and October, 1932, there had been a reduction of $3,500?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Is that responsive to the question, "What reductions or increases were made in 1932?"

Mr. BOWIE. Let me read you the record. I said:

> We began making reductions in 1929, and we should prefer to give you the scale in 1929.

Mr. Brinkman then said:

> That will be all right, either one of the years. You can use either one of the years you want to, prior to 1932. That will give us an answer as to how the rents are moving here, what changes have been made in rents, which is an important factor in determining whether they have responded to the nation-wide reduction in rents.

Then there are two or three pages with reference to the dates upon which schedules were to be put in. I will state to you now and I reiterate to Mr. Brinkman that he can get the reductions in 1932 right in this record.

Mr. BRINKMAN. How can I get them—by making comparisons with what?

Mr. BOWIE. The comparisons with these answers here.

Mr. BRINKMAN. Why can not you give me that information?

Mr. BOWIE. I think we have done enough.

Mr. BRINKMAN. Others have furnished it. You furnished that information to the real estate board?

Mr. BOWIE. We have.

Mr. BRINKMAN. Why not furnish it to me?

Mr. BOWIE. Because here it is if you want it.

Mr. BRINKMAN. That is his answer, Senator Copeland.

Senator COPELAND. You have no real desire—I am not reflecting on you as an individual, but I am speaking to you now as the representative of H. L. Rust Co. You have no real desire to cooperate with this committee, have you, in giving us the specific information that we want?

Mr. BOWIE. I think this [indicating] is proof of it.

Senator COPELAND. Are you aware of the fact that Congress last spring, because of the necessities of lowering the taxes of the country, made very radical cuts in the salaries of employee of the Government?

Mr. BOWIE. Yes; I have heard about that.

Senator COPELAND. You have no doubt about it, have you?

Mr. BOWIE. No, sir; I do not doubt it.

Senator COPELAND. Here was a committee which was imbued with the thought and with humane instincts of attempting to find out how these people with reduced incomes were going to live. We have striven to find out from the real-estate men what you are doing to do your part in dealing with this great crisis and so in good faith we ask you what reductions or increases you propose to make in 1932. You say that from this mass of material we may find it out. Was there any reason, when you sent in the report on the Ambassador, that you could not tell us what happened?

Mr. BOWIE. We could have done it.

Senator COPELAND. But you did not do it. Why could you not do it?

Mr. BOWIE. Because we felt we had already put more than our share of time in compiling these reports. I would like for you to look at this paper [indicating]. There is a questionnaire that will give you real information. It is not going to be a partial report. It is going to give you every bit of information Mr. Brinkman wants, and a tremendous amount more.

Mr. BRINKMAN. Then why not give me that information?

Mr. BOWIE. We are compiling it.

Mr. BRINKMAN. Do you show in that slip what reductions and increases were made in 1932?

Mr. BOWIE. We will show that at the proper time.

Mr. BRINKMAN. When is the proper time?

Mr. BOWIE. When we complete our questionnaire.

Mr. BRINKMAN. When you feel like it?

Mr. BOWIE. That will be by the 1st of December. I just told the Senator.

Senator COPELAND. You told me the last time we had a conversation that it would be the 1st of November.

Mr. BOWIE. No, sir.

Senator COPELAND. Then I misunderstood the record and my memory of the meeting then must be faulty.

Mr. BOWIE. I think the record will show that I told you Mr. Brinkman's questionnaire would be answered by the 1st of November, and they were sent in.

Senator COPELAND. (indicating document) Was this the questionnaire we were to have answered by the 1st of November?

Mr. BRINKMAN. Yes.

Senator COPELAND. Let us have the record clear, because this is a matter of human interest. You said in that hearing that this questionnaire which was sent out by Mr. Brinkman under date of August 27 would be answered completely by the first of November, did you not?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Did you in the answers you made to the committee show reductions and increases made in 1932 and the reductions and increases to be made by October 1 of 1932?

Mr. BOWIE. I did not go into it, Senator, to the extent that he had asked. I covered the whole field from 1928 to October 1, 1932

Senator COPELAND. Did you do that because that probably was more favorable to your contention?

Mr. BOWIE. No, sir; it was an easier way to do it.

Senator COPELAND. But not responsive.

Mr. BOWIE. I do not know what you mean by "responsive."

Senator COPELAND. No, I think you are right in what you say in that respect.

Mr. BRINKMAN. We also asked that you give the "scale of rents for each property, showing amount for each unit, and total rent for building if all apartments and other rentable space were rented." In no case have you given us the scale of rents for any apartments. We do not know how much you get for 2-room apartments. We can not compare what you are getting with what Hagner gets, for instance.

Mr. BOWIE. You can get it right there [indicating] if you want it.

Mr. BRINKMAN. Randall H. Hagner has sent in answers that are much more satisfactory and complete than yours, and also the B. F. Saul Co., one of your competitors, and also a number of smaller firms with less employees than your company. You have refused and persisted in your refusal when I called you over the phone to furnish any other information, and said you were finished.

Mr. BOWIE. Do you think that is an honest statement, what you have read there, after what transpired at that discussion with us?

Mr. BRINKMAN. Yes; I had a witness to that discussion and I would be glad to call that witness if necessary or desirable.

Mr. BOWIE. You have a witness right here in the record.

Mr. BRINKMAN. I am speaking of our conversation in regard to your answers to the questionnaire.

Mr. BOWIE. I am talking about what you read from that sheet in front of you.

Mr. BRINKMAN. Certainly it is a fair statement.

Mr. BOWIE. About the modification made at the time of the extension?

Mr. BRINKMAN. The modification is here in black and white. The modification was made merely for your convenience.

Mr. BOWIE. Yes; you admitted that to give the complete schedule was imposing too much upon us.

Mr. BRINKMAN. No; I said I was a good-natured fellow and would be glad to help you because you people were so hard up and poor you could not afford the necessary help, and therefore I would let you off easy. I said in this letter:

> In answering question No. 5 it is not necessary to list each apartment in the building separately, but all units of the same size in a building that rent for the same amount may be grouped thus: Ten 2-room-kitchen-and-bath apartments, $60.

That would simplify it and give the information we wanted.

Mr. BOWIE. I told you at the time that was impossible.

Mr. BRINKMAN. I also said, "With reference to question No. 6, if you are unable to give the information as to rental scales in 1929 and 1931, please state the reason and the name of previous agent or owner." You have not done that.

Mr. BOWIE. No.

Senator COPELAND. Mr. Bowie, what is your position with the H. L. Rust Co.?

Mr. BOWIE. Vice president.

Senator COPELAND. Who is the president?

Mr. BOWIE. Mr. H. L. Rust.

Mr. BRINKMAN. He is here.

Senator COPELAND. Where is the authority in the company?

Mr. BOWIE. In him.

Senator COPELAND. In Mr. Rust?

Mr. BOWIE. Yes.

Mr. BRINKMAN. When I called Mr. Rust on the phone he referred me to Mr. Bowie when I made these inquiries. Is that true, Mr. Bowie?

Mr. BOWIE. That is true.

Senator COPELAND. I suppose we could have both of these gentlemen brought to the bar of the Senate at one time.

Mr. BRINKMAN. I think so. We might call Mr. Rust and ask whether he intends to answer the questions or not. He is here now.

Senator COPELAND. Mr. Bowie, you have handed me a questionnaire.

Mr. BOWIE. Yes, sir.

Senator COPELAND. Have you answered this questionnaire yourself?

Mr. BOWIE. I have had it answered.

Senator COPELAND. Where is the answer?

Mr. BOWIE. It is at the real estate board.

Senator COPELAND. Does that answer include the total reduction from January 1, 1932, to November 1, 1932?

Mr. BOWIE. Yes, sir.

Senator COPELAND. And the reductions in schedules from January 1, 1928, and so forth?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Why can not you answer the question as to "reductions or increases made in 1932"?

Mr. BOWIE. Senator, we were trying to reduce the amount of actual work in connection with it to a minimum. We had promised you that we were going to get the information to you by the 1st of November. We were in our busy season in September when we were here before and it extends somewhere over into the month of October. I was anxious to make it as short and concise as possible. If you want that reduction, I have got it. It is right in the papers that I have showed you. Mr. Brinkman can get it out of those documents if he wants it.

Mr. BRINKMAN. Out of what documents?

Mr. BOWIE. Out of that bunch of reports sent to the Department of Justice.

Mr. BRINKMAN. This is the first time I ever saw it.

Mr. BOWIE. I showed it to you just now and you said you did not want it.

Mr. BRINKMAN. It is the first time I ever saw it. It is a vast mass of papers.

Mr. BOWIE. It represents a vast amount of work.

Senator COPELAND. Mr. Bowie, do you mean you have done your part to aid this committee in its investigation?

Mr. BOWIE. I certainly do. I have spent more time in trying to give information to you, outside of the clerical work of compiling it, than anyone else.

Senator COPELAND. You do not think you are open to the charge of having twisted and distorted and changed and modified and fixed the report that would be satisfactory to you and which you would now turn over to the committee?

Mr. BOWIE. No, sir.

Senator COPELAND. Then why will you not tell us in plain English what you did on the 1st of October? What is there about this that is so difficult? I can find out whether my income has changed from month to month.

Mr. BOWIE. Senator, I tried to make that plain to you, sir, that the reductions we have made are included in these figures that I have given you.

Senator COPELAND. Yes; between 1928 and 1932.

Mr. BOWIE. Yes, sir.

Senator COPELAND. They are included there?

Mr. BOWIE. Yes, sir; that covers the whole thing.

Senator COPELAND. I concede that, but you may have had a decrease up to January 1, 1932, and an increase between January 1, 1932, and November 1, 1932. How are we to know?

Mr. BOWIE. This has happened between 1928 and 1932. I have tried to cover it and explain it in the answer to Mr. Brinkman's questionnaire. With very few exceptions, mechanical refrigeration has been installed in these buildings in the last four years. They have been capital expenditures on the part of owners. In many cases the cost of the current or rather that service is furnished free to the tenant. In order to do as Mr. Brinkman has requested, we have got to go into a tremendous amount of calculating in order to present an honest and true picture of what has taken place.

Senator COPELAND. How many mechanical refrigerators have you installed in your buildings since the 1st of January, 1932?

Mr. BOWIE. Very few.

Senator COPELAND. That is what I would say. Then it would be very easy for you to find out, without reference to mechanical refrigeration, whether you made any reductions or increases on October 1, 1932.

Mr. BOWIE. I will give it to you, Senator, if you want to know.

Senator COPELAND. We tried to make that clear when we discussed that the last time we had a little conversation. Now you tell me that you will do it. Meantime, time goes on. Your promise now, as I understand it, is that on December 1 you will have full reply to these questionnaires?

Mr. BOWIE. Not to Mr. Brinkman's; no, sir.

Senator COPELAND. You are not replying to his questionnaire?

Mr. BOWIE. When you said "we," I understood you to have reference to the Washington Real Estate Board.

Senator COPELAND. I am speaking to you now as H. L. Rust Co.

Mr. BOWIE. We already have the report.

Mr. Brinkman finds fault with it. If he wants to know the difference in the schedule between the 1st of January and the 1st of October of 1932, I will furnish him with it. It is already in our questionnaire

that the board has propounded, so I can refer to that and get it very quickly.

Mr. BRINKMAN. When do you propose to furnish me with that information?

Mr. BOWIE. I could take it off and might get it up to you by 12 o'clock to-morrow if you are in a hurry for it.

Mr. BRINKMAN. I am in a hurry for it. I have been in a hurry now for about a month.

Senator COPELAND. Is it not a rather remarkable thing that this information, which has been so expensive to collect together, is of a nature that, finally having to have a meeting of this committee when we failed to get it, you say you can have furnished to us by 12 o'clock to-morrow? I think we will accept this proposition that we will have the facts and the information by 12 o'clock to-morrow.

Mr. BOWIE. I can explain that. Mr. Brinkman's questionnaire was disposed of first. He was in a hurry for it. We promised to give it to you by a certain time. We worked more leisurely on this other questionnaire. We did not give it preference over Mr. Brinkman's. We were pressed to get his up first. We did that. That is why we have this information now and did not have it when we started working on that.

Senator COPELAND. Are you willing to have the public know whether you made increases or reductions on the first of October, 1932?

Mr. BOWIE. We have no feeling about it one way or the other. The public does know. Our advertisements are in the paper every week.

Senator COPELAND. If I may trust the letters I get from tenants, there are plenty of tenants who have had no reductions.

Mr. BOWIE. Some of them, yes.

Senator COPELAND. Go ahead, Mr. Brinkman. Have you anything else?

Mr. BRINKMAN. Yes. We also want information as to your schedule of rents for two and three room apartments in each building. We want to make comparisons with other schedules.

Mr. BOWIE. Right there [indicating] you have it. That is more than you ask.

Mr. BRINKMAN. You refer to this document which you say you furnished the Department of Justice?

Mr. BOWIE. Yes.

Mr. BRINKMAN. I shall be glad to retain this. However, it does not answer the question Senator Copeland just asked with reference to reductions or increases on October 1, 1932. It merely carries the list up to June 1.

Senator COPELAND. He promised to give that information by noon to-morrow.

Mr. BRINKMAN. I shall be glad to retain this document. Are these rents still in effect?

Mr. BOWIE. Some of them have changed. Most of the reductions have been made since the first of June this year.

Mr. BRINKMAN. I would like to revert to something else, to this letter of September 23 about the cost of compiling this information. Before that letter was sent out did you have a meeting of your board?

Mr. BOWIE. Sure.

Mr. BRINKMAN. Of your executive committee?
Mr. BOWIE. Sure.
Mr. BRINKMAN. You then decided to engage Mr. Lusk for that work?
Mr. BOWIE. Sure.
Mr. BRINKMAN. He had previously been associated with the Operative Builders Association?
Mr. BOWIE. Sure.
Mr. BRINKMAN. What was he—the president or the secretary of that association?
Mr. BOWIE. I do not know. He is here.
Mr. BRINKMAN. You do not know?
Mr. BOWIE. I do not know.
Mr. BRINKMAN. How many years have you known Mr. Lusk?
Mr. BOWIE. Perhaps 10 years. He was connected with it. I do not know in what capacity.
Mr. BRINKMAN. You made some agreement with him to pay a certain stipulated amount?
Mr. BOWIE. Yes.
Mr. BRINKMAN. I am not particularly interested in just the amount you are going to pay him, but it amounted probably to as much as a thousand dollars?
Mr. BOWIE. I do not know what the particular amount was to be.
Mr. BRINKMAN. There was no agreement as to amount?
Mr. BOWIE. No.
Mr. BRINKMAN. Did you tell Mr. Lusk who would be responsible for his payment?
Mr. BOWIE. The Washington Real Estate Board.
Mr. BRINKMAN. But you said in this letter, "The cost of compiling this information is being borne by a few members of the board."
Mr. BOWIE. That is perfectly true.
Mr. BRINKMAN. Yesterday Mr. Bangs, the president, said this statement in the letter was not so, that it was now going to be borne in some other way which he did not detail.
Mr. BOWIE. What is it you are trying to show?
Mr. BRINKMAN. I am trying to find out who is going to pay Mr. Lusk.
Mr. BOWIE. I told you who will pay him. The Washington Real Estate Board is going to pay him.
Mr. BRINKMAN. But at that time who was going to pay him?
Mr. BOWIE. The Washington Real Estate Board was going to pay him and would take up contributions from its members to defray the cost.
Mr. BRINKMAN. Will the minutes show that?
Mr. BOWIE. The minutes will show that.
Mr. BRINKMAN. The board was going to take up voluntary contributions?
Mr. BOWIE. Yes.
Mr. BRINKMAN. Has anyone underwritten it?
Mr. BOWIE. The Washington Real Estate Board underwrote it.
Mr. BRINKMAN. It was a responsibility of the organization?
Mr. BOWIE. It was.
Mr. BRINKMAN. So this statement in this letter is probably in error?

Mr. BOWIE. It is not in error.
Mr. BRINKMAN. I was told yesterday it was in error.
Mr. BOWIE. Mr. Bangs was not president of the Washington Real Estate Board when this arrangement was made nor was he a member of the executive committee that ratified and made the arrangement.
Mr. BRINKMAN. All I know is there seems to be a disagreement between you and Mr. Bangs on that point as to who is going to pay. That is all, I believe.
Senator COPELAND. Have you anything further you want to say, Mr. Bowie?
Mr. BOWIE. Yes, I would like this letter to go in the record.
Senator COPELAND. What is it you want to go in the record?
Mr. BOWIE. This is the paper Mr. Brinkman makes so much talk about.
Senator COPELAND. I thought that was already in the record.
Mr. BOWIE. I do not think you have put it in the record.
Mr. BRINKMAN. There is no reason why it should not be inserted in the record.
Senator COPELAND. Very well, let it be set forth in the record at this point.
The letter referred to is as follows:

WASHINGTON REAL ESTATE BOARD,
Washington, D. C., September 23, 1932.

Special notice in re rental information.

The executive committee of the board has decided to request its members to supply certain information concerning the cost of operation, vacancies, rent reductions and income of apartments. This information will be analyzed and presented to the Senate District Committee in an effort to show that there is no necessity to regulate rents and that taxes should be reduced.

It is important that we have all information not later than November 1. Please be sure to mail in your completed questionnaires as they are compiled for each of your buildings; do not wait until you have the information on all of your buildings before sending in the questionnaires. The estimated number of questionnaires you will need are inclosed herewith.

The cost of compiling this information is being borne by a few members of the board. The analyzing of this material will be in charge of Rufus S. Lusk, under the direction of the board's executive committee.

Respectfully,

J. F. M. BOWIE, *President.*

Senator COPELAND. Is there anything further, Mr. Bowie?
Mr. BOWIE. I would like also added to the record a letter of September 10, 1932, headed "Special Notice to Active Members."
Senator COPELAND. Very well; you may read that for the record.
Mr. BOWIE. It is dated September 10, 1932, and is headed "Special Notice to Active Members, Rental Investigation Questionnaire." It read:

In accordance with the special notice mailed to you on August 31 a meeting was arranged at which O. H. Brinkman, counsel for the subcommittee of the Senate District Committee investigating the rental situation, was present. The purpose of the meeting was to obtain a modification of the questions sent to many members of the board by Mr. Brinkman. Our efforts along this line met with little or no success.

It is therefore the recommendation of the board that the members answer the questionnaire to the best of their ability.

In cooperation with nonmembers and large property owners the board will shortly proceed to develop a questionnaire which will cover the rental situation more fully, especially with reference to maintenance costs.

Respectfully,

S. N. RICHARDS, *Assistant Secretary.*

Senator COPELAND. Have you anything further, Mr. Bowie?

Mr. BOWIE. That is all I have.

Senator COPELAND. Do you wish to ask Mr. Bowie anything further, Mr. Brinkman?

Mr. BRINKMAN. Yes; just a few more questions. Do you make loans for insurance companies?

Mr. BOWIE. Yes.

Mr. BRINKMAN. For what company?

Mr. BOWIE. The Prudential.

Mr. BRINKMAN. Have you been asking curtailments in renewing those loans?

Mr. BOWIE. Sometimes.

Mr. BRINKMAN. Quite generally?

Mr. BOWIE. Loans are now becoming due that were placed on properties three and five years ago. There has been a considerable shrinkage in values during that period. Those loans that are maturing, many of them, were for the full amount that any conservative organization would have placed on the properties three or five years ago. The security is not as good to-day as three or five years ago.

Senator COPELAND. Are you speaking about apartment houses?

Mr. BOWIE. All kinds of property.

Senator COPELAND. Have you foreclosed or what have you done about it?

Mr. BOWIE. Very few foreclosures. The insurance company is willing to go into partnership with the owner, so to speak, if it is revenue-producing property and if the owner will assign the rents to them to be applied on account of their mortgage. In that event they will ride along with him for an indefinite period.

Senator COPELAND. What do you mean by "shrinkage in value"? Was it because the rents have been so reduced on these particular houses?

Mr. BOWIE. In apartment houses there is no element that enters into the value to a greater extent than what it will produce. The reduction in production has been responsible largely for the shrinkage.

Senator COPELAND. If you had a given apartment house—we will call it the Shenandoah for the sake of a name—which had rentals aggregating $40,000 in 1928, 1929, and 1930, and still having rentals aggregating $40,000 now, would you consider the value of that building had decreased?

Mr. BOWIE. Still having a rental value of $40,000?

Senator COPELAND. Yes.

Mr. BOWIE. It probably would be considered as not as great as it was three or five years ago.

Senator COPELAND. In spite of the revenue being the same?

Mr. BOWIE. Yes.

Senator COPELAND. Is not the upkeep of the houses considered? Are they not maintained and kept in repair and proper condition?

Mr. BOWIE. They ought to be.

Senator COPELAND. If such a building had been kept in repair and proper condition and its earning power is the same, would that justify a lender of money in saying that the security was not as good as when he made the loan?

Mr. BOWIE. I did not intend to convey that impression to you, that the lender of the money would consider that the value was not as great. He would look to the revenue. It is true that three and five years ago there were certain people who were willing and ready to invest in apartment-house property. Those people are very few to-day. There are very few people who have any money and still fewer who are willing to invest it in apartment-house property.

Senator COPELAND. You spoke about the Prudential that you represent. Would the Prudential be the sort of lender of money that would feel that because of a reduction in the rents——

Mr. BOWIE. I would not say in that case they would ask for a reduction in the loan if the revenue was just the same.

Senator COPELAND. Suppose it was reduced 10 per cent.

Mr. BOWIE. The revenue?

Senator COPELAND. Yes.

Mr. BOWIE. There might a request for a reduction.

Senator COPELAND. How are we going to restore prosperity in this country if every lending concern takes the view you do? Why do we advance money through the Reconstruction Finance Corporation to concerns like the Prudential and others and bankers generally? Why did we do that? Did we not do it in order that they might continue their loans and continue to be credit institutions?

Mr. BOWIE. Would you say that if you had made a loan on a piece of property and that property had decreased in value, you should continue that loan in the same amount?

Senator COPELAND. I have established a standard. I am assuming that there has been no material reduction in income. It still has practically the same revenue possibilities that it had before. I do not see how the lender there would be justified in saying that there was such a shrinkage in value that he should ask for a return of part of the investment in the form of a loan.

Mr. BOWIE. If the income were just the same, the probabilities are there would be no request for a reduction in the principal.

Senator COPELAND. Of course in what I said I was speaking about insurance companies generally. I do not think the Prudential has had any loan from the Reconstruction Finance Corporation. But many banks have had, so the same argument I applied to the Prudential would apply to a bank. However, as I said, I believe the Prudential has not had any loans.

Have you anything further, Mr. Brinkman?

Mr. BRINKMAN. Have you had instructions to reduce loans by a certain percentage?

Mr. BOWIE. From whom?

Mr. BRINKMAN. From any one for whom you made loans and renew them.

Mr. BOWIE. We have been making loans for nobody except the Prudential and for ourselves. We make loans with our own money and sell those notes and securities to people who buy them from us.

Mr. BRINKMAN. Have you had instructions then from the insurance company to reduce by a certain percentage their loans?

Mr. BOWIE. Oh, no. Every case is treated individually.

Mr. BRINKMAN. When you ask a curtailment, it is on your own initiative or on instructions from somebody else?

Mr. BOWIE. It is on the instructions of the home office.

Mr. BRINKMAN. What about the interest rate? Is that the same?

Mr. BOWIE. Five and one-half per cent.

Mr. BRINKMAN. Formerly one could get money at 5 per cent.

Mr. BOWIE. No. We made one loan in Washington at 5 per cent that I know of.

Senator COPELAND. Has the rate changed at all?

Mr. BOWIE. No, sir.

Senator COPELAND. As a matter of fact, in the case of loans you have made where you have called for payments in reduction of the principal, has there been any considerable amount returned to you because of your calls?

Mr. BOWIE. I do not believe I understand your question.

Senator COPELAND. You have outstanding loans?

Mr. BOWIE. Yes, sir.

Senator COPELAND. You are anxious to reduce them?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Have you actually reduced them in any very considerable sum?

Mr. BOWIE. Some, not very much; just enough. If it is a loan of $10,000 or $12,000, if we want a curtail of $1,000 or $1,500 and the man can not make it, we will take $250 or $500 with a similar amount payable in six months or a year, so that at the end of the period we will get that loan down to a point where we now think it ought to be.

Senator COPELAND. What do you do if he does not make any payment?

Mr. BOWIE. If it is an income-producing property we do as many of the lending organizations do. If he will impound the rents and give us all that can be gotten out of the property, we will let it ride for an indefinite period. There is not anything, Senator, that any money-lending organization dislikes more than having to foreclose a piece of property at this time.

Mr. BRINKMAN. You have foreclosed and taken in some properties where no curtailments could be made, have you not?

Mr. BOWIE. Yes, sir.

Mr. BRINKMAN. Particularly out toward Chevy Chase you have taken over a number of properties.

Mr. BOWIE. Some, yes.

Senator COPELAND. What do you do with those properties? Do you operate them yourselves?

Mr. BOWIE. If it is a dwelling house we fix it up and try to sell it and get the best we can for it, and try to work out what we put into it in that way.

Mr. BRINKMAN. Sometimes you make a little more than you put into it, do you not?

Mr. BOWIE. I can not recall a single case of that kind.

Mr. BRINKMAN. Would you say at this time there has been no such case?

Mr. BOWIE. I can not recall a single case.

Mr. BRINKMAN. When you make a loan on property do you require the management of that property?

Mr. BOWIE. Not always.

Mr. BRINKMAN. Very often you do, however?

Mr. BOWIE. Sometimes.

Mr. BRINKMAN. Do you write that in the deed of trust or into the agreement, that you shall have management?

Mr. BOWIE. Yes; whenever it is done.

Mr. BRINKMAN. That you shall have 5 per cent of the rentals collected?

Mr. BOWIE. Yes; if that is the amount agreed on.

Mr. BRINKMAN. Will you furnish me with a copy of your deed of trust containing that provision?

Mr. BOWIE. Yes, I will be glad to send it to you. We have no printed deed of trust with that provision.

Mr. BRINKMAN. A copy of any one will do.

Mr. BOWIE. I will send you just the provision covering that one point.

Mr. BRINKMAN. I would like to see the whole thing in a complete form in which it is incorporated. I can send someone to your office to copy it if you desire.

Mr. BOWIE. I can use a blank deed of trust with that provision copied into it.

Mr. BRINKMAN. Very well. That is all.

Senator COPELAND. You may be excused, Mr. Bowie. Whom do you want next, Mr. Brinkman?

Mr. BRINKMAN. Is Mr. H. E. Doyle here?

Mr. DOYLE. Yes, I am here.

Senator COPELAND. Were you previously sworn, Mr. Doyle?

Mr. DOYLE. No, sir.

STATEMENT OF H. E. DOYLE

(The witness was duly sworn by Senator Copeland.)

Senator COPELAND. You are with what company?

Mr. DOYLE. Thomas J. Fisher & Co.

Senator COPELAND. What is your relationship to that company?

Mr. DOYLE. I am the vice president.

Senator COPELAND. And manager, too?

Mr. DOYLE. To some extent.

Mr. BRINKMAN. You are the acting head of that company?

Mr. DOYLE. I am.

Mr. BRINKMAN. The president is dead, is he not?

Mr. DOYLE. Yes.

Mr. BRINKMAN. Is that company affiliated with the Union Trust Co.? Is there any stock ownership between them?

Mr. DOYLE. They are owned by the Union Trust Co.

Mr. BRINKMAN. Have you furnished us with answers to the questionnaire we sent you covering apartment properties which you own or manage?

Mr. DOYLE. You told me on Monday that we have not done so. The rental department was supposed to have done it. They were given instructions to do it as soon as they could.

Mr. BRINKMAN. How many employees do you have in your company, approximately?

Mr. DOYLE. Thirty-five or forty, approximately.

Mr. BRINKMAN. Is your company in any dire financial straits or is it able to bear the expense of answering those questions?

Mr. DOYLE. I do not think either one is necessary. We are financially sound.

Mr. BRINKMAN. Then why have you not answered those questions?

Mr. DOYLE. Money does not buy answers to questions. They have to be given by some one who knows. The reason we have not

answered them is because of the crowded and unusual condition in that office. I thought some of them had been sent out.

Mr. BRINKMAN. Not one has been sent to us. You have submitted your answers to the more complex and detailed questionnaire of the real-estate board, have you not?

Mr. DOYLE. So I understand from the rental department.

Mr. BRINKMAN. You gave that preference over our questionnaire, did you not?

Mr. DOYLE. So I understand from the rental department. I do not know whether it was given any preference or not. It was simpler and possibly more readily made out.

Mr. BRINKMAN. No; it is more complex.

Mr. DOYLE. I was answering your question. We have the head of the rental department here.

Mr. BRINKMAN. Why did you give that preference instead of answering the questions of the United States Senate?

Mr. DOYLE. I did not have anything to do with the answers.

Mr. BRINKMAN. Who did have?

Mr. DOYLE. The rental department.

Mr. BRINKMAN. Who is in charge of that department?

Mr. DOYLE. Mr. Metcalf.

Mr. BRINKMAN. Who is above him? Are not you his superior?

Mr. DOYLE. Yes; I am the superior officer.

Mr. BRINKMAN. You manage the company, do you not?

Mr. DOYLE. I am the company manager or acting manager.

Mr. BRINKMAN. When are we going to get those answers?

Mr. DOYLE. As I told you on Monday, I could not tell whether you would get them during the week or not. I have had Mr. Metcalf call you, and he tells me that with some possible clerical help he might be able to get them out by the end of next week.

Mr. BRINKMAN. That would be very near the beginning of December. This questionnaire was sent to you on August 27, some two and one-half months ago.

Mr. DOYLE. We tried to simplify it somewhat and later on there was a subsequent letter changing the conditions. There is no real excuse why you should not have some of them and I thought they had been sent.

Senator COPELAND. As I understand the matter, now that you know they have not been sent, you will see that there is prompt response made to the questionnaire of the committee?

Mr. DOYLE. Absolutely. There is no reason to hold it back, and I shall be very glad to have the committee make its report.

Mr. BRINKMAN. Will we get some of them to-morrow?

Mr. DOYLE. There were five or six of them turned over to the trust company to-day, and they will be sent up to-morrow.

Mr. BRINKMAN. The trust company owns some apartments here?

Mr. DOYLE. They have taken in some of them. I think our office has charge of them. We have propably 1,500 or 1,600 units, and we have to report on every unit for four years, which makes it quite a problem.

Mr. BRINKMAN. Where there have been foreclosures and the trust company has taken them in, do you know whether they have reduced the rentals?

Mr. DOYLE. Every rental, so far as I know, has had to be reduced in apartments.

Senator COPELAND. What have you done where there have been leases?

Mr. DOYLE. Leases usually run from year to year, and that makes the busy season when we are getting the reports out. This is the active season. The depression has made difficult our collections and crowded our time.

Senator COPELAND. This is the thing I would like to have answered: Suppose you have decided and did decide on the first of October to reduce rents on 2 or 3 room apartments to new persons coming in, would you also give a reduction to those who have leases? Would you give them the benefit of that reduction?

Mr. DOYLE. We would if there were leases. We not only reduced the rents, but give them sometimes half a month in the beginning and half a month in the middle of the term. The old tenants have been given the same reduction.

Senator COPELAND. Regardless of leases?

Mr. DOYLE. Absolutely. I would like to correct another statement I just made. I made the blanket statement that practically all rents had been reduced. It has been our custom in many apartments to equalize the rentals. There may be a tenant who has had a reduction for a number of years. His rent may have been made in comparison with others.

Senator COPELAND. Would you consider that a concession of a month's rent made at the beginning of the lease should be taken into consideration?

Mr. DOYLE. That in effect is an 8 per cent reduction.

Senator COPELAND. If there had been such a concession made, would you then decline to make a reduction to one who had a lease?

Mr. DOYLE. An incoming tenant who was given a month's rent, we would equalize it through the building without solicitation. In our determination of reductions it depends upon occupancy and percentage of occupancy of the building. The percentage generally in town is 14 to 15 or 16 per cent, where a year ago it was probably 7 or 8, and before that about 6. We have more vacancies now than before, and of necessity reductions.

Senator COPELAND. I have not had quite an answer to my question. Suppose you had a lease at $105 per month for a certain apartment and now you are fixing the prices on other unrented apartments at $100 a month—that is, for like apartments. Would you give your leaseholder the benefit of that reduction and charge him $100 instead of $105?

Mr. DOYLE. Of course I am not in the rental department and not familiar with the details of it, but I do happen to know and I think I am quite certain in stating it that there was only one instance that came during the existence of a lease. I think that is 3901 Connecticut Avenue, where a general reduction was made and that reduction was given to the party holding the lease.

Mr. BRINKMAN. You serve as a valuation and appraisal expert in the District, do you not, and have served in a number of cases?

Mr. DOYLE. A great many.

Mr. BRINKMAN. You are familiar with ground costs here and buildings costs?

Mr. DOYLE. I think I am.

Mr. BRINKMAN. You have as a matter of fact testified in a number of cases, have you not?

Mr. DOYLE. A great many, mostly for the Government.

Mr. BRINKMAN. Are you on an appraisal committee or real estate board, or were you?

Mr. DOYLE. I am.

Mr. BRINKMAN. How much have apartment building construction costs come down approximately in the last few years?

Mr. DOYLE. Approximately 25 per cent.

Mr. BRINKMAN. Twenty-five or 30 per cent, would you say?

Mr. DOYLE. I said 25. Of course I am testifying.

Mr. BRINKMAN. I am trying to get an approximate figure.

Mr. DOYLE. I am not a builder. I do not know actual costs of construction.

Mr. BRINKMAN. You have testified as to the value of various buildings?

Mr. DOYLE. I have testified as to the value of ground upon actual experience, and from experience in selling completed articles. If it comes to the appraisal of a building alone I consult those who know more about it in regard to my blanket appraisal.

Mr. BRINKMAN. You would estimate that building costs have come down 25 per cent?

Mr. DOYLE. So far as my information goes.

Senator COPELAND. What about land values?

Mr. DOYLE. They are off in the majority of cases. There are instances where surrounding improvements naturally are holding or maintaining values, and in some places they are going up, depending on the use of the particular property.

Senator COPELAND. Has there been anything abnormal in that? Is there anything abnormal in the situation now that changes land values?

Mr. DOYLE. Just a general lack of demand caused by general conditions.

Mr. BRINKMAN. If a building is worth a given amount to-day, and if it would cost to reproduce that building 25 per cent less than it cost to put it up originally, ought not rents to come down proportionately assuming the building was on a fair rental basis before? You would have a building worth less and you could not sell it on the market for the same price as when it was constructed. Should there not be a reduction of rentals?

Mr. DOYLE. There is no arbitrary situation where the landlord can dictate what he will get out of his property. He has to take what his tenant will pay. That is regulated by supply and demand.

Mr. BRINKMAN. How much of a reduction should occur?

Mr. DOYLE. It is not dependent on what costs have gone down, because we have in mind normal conditions and not abnormal conditions.

Mr. BRINKMAN. You had a good many vacancies at 3901 Connecticut Avenue, had you not?

Mr. DOYLE. Yes.

Mr. BRINKMAN. You reduced rents substantially, did you not?

Mr. DOYLE. They have been reduced.

Mr. BRINKMAN. Did you rent a great many of the apartments?

Mr. DOYLE. When we first took it over we did not reduce them as much. Vacancies occurred to some extent afterwards. Rents were reduced in the last two months quite materially, and old tenants were given a month's rent.

Mr. BRINKMAN. And you were able to rent some of those empty apartments?

Mr. DOYLE. It has been, through very careful and good management, rented up, and I think it is practically 100 per cent rented. They are very reasonable rents, but it pays no return on its cost.

Mr. BRINKMAN. I think that is all, except we are given to understand that you will begin immediately to turn in the answers to our questionnaire?

Mr. DOYLE. We certainly will, and I am sorry you did not have them before. I thought some of them had been sent to you.

Senator COPELAND. Very well, Mr. Doyle; you may be excused.

FURTHER STATEMENT OF J. F. M. BOWIE

Mr. BOWIE. Senator, may I have a couple of minutes?

Senator COPELAND. Go ahead, sir.

Mr. BOWIE. In the hearings before this committee on June 17, 1932, there was a statement made by Mr. Brinkman, and I will read it:

> Now, I have in an envelope here—and I give my word of honor to this committee that this is so, that I am not going to open this envelope—absolute proof, written proof, that there is a combination of real-estate dealers for the purpose of eliminating competition among them. I do not intend to make this public, because I do not feel it would serve any useful purpose; but I do not want to put the real-estate dealers here on guard, because they would cover up; unless there is some effective action taken to prosecute these men, I do not intend to make it public, because it will enable them to cover up, but I will make oath and give my word as an attorney that there is written, absolute proof of a combination of real-estate men here to eliminate competition among them.

Senator COPELAND. I heard that statement. What is the purpose in calling attention to it now?

Mr. BOWIE. My purpose is this: This Mr. Brinkman has put out a vile accusation against the real-estate men in Washington.

Senator COPELAND. Suppose you just give an answer to it. You deny the truth of the allegation that there is a conspiracy?

Mr. BOWIE. I most emphatically deny it and have denied it, but I think now that we are entitled, inasmuch as you are asking us to cooperate with you and help you in this matter and we are willing to do it, that he either retract that statement or open the envelope and prove what he accused us of.

(Several members of the audience applauded.)

Senator COPELAND. Just a minute, Mr. Bowie, before you leave the witness stand. Is it because of your feeling toward Mr. Brinkman that you are holding back in your activities and failing to cooperate with the committee?

Mr. BOWIE. Not solely.

Senator COPELAND. There are other reasons?

Mr. BOWIE. Mr. Brinkman is a most difficult man to cooperate with.

Senator COPELAND. That might be said of the chairman of the subcommittee.

Mr. BOWIE. I have not seen any evidence of that.

Senator COPELAND. Let us forget about all those things and let me say to you once more what I have said this afternoon. We are not here to defend or commend Mr. Brinkman. That is not our business. He was employed by the committee to do certain work and so far as I can judge he is doing it very well without any particular assistance from the real-estate people. We want this material. You have no defense for any failure of cooperation on your part because you do not like the curl of Mr. Brinkman's hair or anything he may have said. We are asking for certain information. We think we have a right to have that information. Do you question that?

Mr. BOWIE. I do not question that, Senator.

Senator COPELAND. Very well. Then because you do not like Mr. Brinkman is no reason why you should pass on to the committee your prejudice and your feeling in the matter. We are not interested in what Mr. Brinkman may say in private circumstances. He has been employed by this committee to do a certain job. I have seen no evidence of failure on his part to do that job. I may have my views as to whether the statement he made was a wise statement to make, but that is neither here nor there.

Mr. BRINKMAN. I have not withdrawn the statement. The time has not come for that yet.

Senator COPELAND. The thing I want to make clear to you gentlemen who applauded the statement just made by Mr. Bowie is that because of any prejudice you have toward our attorney, that prejudice does not lessen your moral and your legal obligation to give to this committee the information which the committee seeks. I wish to say as one member of this committee that we are going forward in this investigation. We are entitled to have this material and these statistics.

Mr. Bowie has just now stated he does not question our right to have that material. It would seem to me, as a matter of common sense, that the wise thing for the real-estate men, regardless of any attitude they may have toward one of us, is to go ahead and give us the material and give it promptly, because I know enough about mass psychology to realize that if there is any stubbornness or unwillingness to cooperate on the part of the real-estate men it will be attributed by the public to a desire on the part of the real-estate men to evade responsibility and to shirk the disagreeable duty of giving this material to us.

I want to assure you in the strongest terms that we expect this material. We are not going to be swayed by the applause of men who naturally approve the heroic statement of Mr. Bowie. We want the facts. I am not interested in anything else, nor are the other members of the committee. But, gentlemen, I beg of you to go forward in this matter, assist us in this investigation we are making. The mind of the committee is not closed by any means. The committee is desirous to get the truth. If your rentals are right and just, you ought to be able to demonstrate the fact that they are right and just. On the other hand, if they are not what they should be, it is our duty as the servants of the people to try to find some way to see that the rentals are fixed in this city so that people can live here with their reduced incomes and still maintain their self-respect.

Mr. BOWIE. We were very grateful to you for your assurance at our last meeting that we were going to get a square deal and a fair deal here.

Senator COPELAND. Are you not getting a square deal?

Mr. BOWIE. We certainly are, but I wanted to ask this. This charge was made last June. We are still under that charge of having a combination to keep up prices, written evidence that could not possibly be disputed, made by the man who is now counsel for this committee. I think, Senator, in fairness to us and in a spirit of cooperation we ought to have this matter settled.

Senator COPELAND. I assume that is why we are in session. Mr. Brinkman made a charge. I recall it very distinctly. It was rather a startling one to me. But we are here to attempt to find out whether the charge is true or not. Then so far as your controversy with Mr. Brinkman is concerned, it is for him to deal with it. Frankly, I wish it had not been said at that time, but you may rest assured that you are going to get your day in court. You will have a fair deal. But, frankly and candidly, the impression I receive to-day is that you are not helping. That is my feeling. I did not want to say that. You are going to have a fair deal, but we have a right to have greater cooperation on the part of the real-estate people here than we are receiving.

Mr. BOWIE. Senator, I in my connection with the real estate board can not and the real estate board itself can not make these people do this. You have in the record a letter sent out from the office of the real estate board requesting cooperation on the part of its members. We and I personally have told every one of them I have come in contact with that has asked me about the question for advice or otherwise that that is the attitude of the board and if they wanted to support their board to do it. I assure you the board has done all it can to give you the answer to Mr. Brinkman's questions.

Senator COPELAND. Mr. Bowie, it is a matter of utter indifference to me whether this material comes to us from the real-estate board or whether it comes from individual real-estate men in the city. I do not care. It would seem to me that common decency and loyalty to the organization, which must have some value or it would not exist, is that it should come through the real-estate board. But if the real-estate board throws up its hands and says, "We can not do it," then of course we have another way to proceed, which is to bring these men in one by one and put them on the witness stand and extract the information from them.

Mr. BOWIE. Let me correct you, sir. You said "come through the real-estate board." None of the information this committee or Mr. Brinkman has requested was to come through the real-estate board. The real-estate board has compiled a questionnaire which we think will be helpful to the committee. That is coming to the real-estate board. I assumed you have no criticism of the laxity on the part of the progress of the real-estate board's questionnaire.

Senator COPELAND. I have not; but I certainly have criticism to pass upon the progress because of their delay in responding to the questionnaire of the committee. If you choose to give us additional information through your own questionnaire, all well and good; we are glad to have it and will give it the consideration which it deserves. I must say to you, however, in the most forceful language possible,

that we expect you to make responsive answers to the questions in our questionnaire.

Mr. BOWIE. I will do that and I will have what you want with Mr. Brinkman to-morrow at 12 o'clock. I think that we are entitled to have this matter of this charge either proved or withdrawn.

Mr. BRINKMAN. It is not withdrawn.

Mr. BOWIE. Let us have it proved, then.

Mr. BRINKMAN. You will have it in due time. I want the record to show that twice we have found it necessary to issue our subpœnas to get Mr. Rust's firm down here.

Mr. BOWIE. Let me say, too, for the record that I was not requested to come here to-day until I received this subpœna.

Senator COPELAND. If that is all, Mr. Bowie, you may be excused again. Have you another witness, Mr. Brinkman?

Mr. BRINKMAN. Yes. I will call Mr. Schneider.

STATEMENT OF T. F. SCHNEIDER

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Mr. Schneider, you own a number of apartments and control or manage them?

Mr. SCHNEIDER. Yes, sir.

Mr. BRINKMAN. How many?

Mr. SCHNEIDER. About 14 or 16.

Mr. BRINKMAN. Do you own them?

Mr. SCHNEIDER. I own some and manage others.

Mr. BRINKMAN. Do you own the Cairo Hotel?

Mr. SCHNEIDER. Yes.

Mr. BRINKMAN. How many do you own?

Mr. SCHNEIDER. I really do not know.

Mr. BRINKMAN. You do not know how many apartments you own?

Mr. SCHNEIDER. Eight or nine, I guess.

Mr. BRINKMAN. Have you answered the questionnaire of the committee?

Mr. SCHNEIDER. No, sir.

Mr. BRINKMAN. Why not?

Mr. SCHNEIDER. I simply have not been able to do the work. I have altogether about a thousand tenants. I conduct my office with two people that do all the clerical work in the office with the exemption of one girl who works in the office a majority of the time on Cairo matters. With two people I simply can not get the information together.

Senator COPELAND. Do you question the right of the committee to have the information?

Mr. SCHNEIDER. No, sir. I am willing to open up my books and give any information whatsoever to anybody that the committee designates to come up there and get it; but as it stands it has been physically impossible for me to take off my auditor and accountant and put him to doing it.

Senator COPELAND. Would it not be cheaper for you, as a matter of dollars and cents, to do that in the privacy of your office than to bring your accountant and clerk up here and have it drawn out as one might extract teeth?

Mr. SCHNEIDER. I could come up here. I am glad to bring my rent ledger here and give whatever information is desired by the committee.

Senator COPELAND. Do I understand you to decline to give the material as we want it?

Mr. SCHNEIDER. I decline to do the work of getting it up. I can not.

Mr. BRINKMAN. Senator, I suggest that you continue his subpœna now to November 28.

Senator COPELAND. Very well.

Mr. BRINKMAN. You are now directed by the committee to come back at 2 o'clock p. m. on November 28.

Senator COPELAND. Yes; you are so directed. Do you understand that?

Mr. SCHNEIDER. Yes.

Senator COPELAND. The subpœna is continued in your case until November 28, at 2 o'clock p. m. I think you entirely misconceive the purpose of the committee. However, that is for you to decide. You may now be excused until November 28, at 2 o'clock p. m.

Mr. Brinkman, whom do you want to call next?

Mr. BRINKMAN. I will call Mr. Savage.

STATEMENT OF ROBERT W. SAVAGE

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Mr. Savage, do you own or manage any apartments?

Mr. SAVAGE. Yes; three.

Mr. BRINKMAN. Do you own them?

Mr. SAVAGE. I manage them.

Mr. BRINKMAN. Have you complied with the request of the committee for the questionnaire?

Mr. SAVAGE. No, sir; because you have not complied with my request to answer certain questions.

Mr. BRINKMAN. I will read into the record your letter. First I will let Senator Copeland see it.

Senator COPELAND. I will read the letter into the record myself. It reads as follows:

Mr. O. K. BRINKMAN,
927 Fifteenth Street NW., Washington, D. C.

DEAR SIR: Your communications of August 27 and October 1 were received and will be acted upon if and when my attorney advises me to do so. For my own information I would be glad to have you advise me of the ample authority which you mention will compel my compliance with your request. I would like particularly to know the penalty for noncompliance, and references, should there have been any test cases on the question.

Very truly yours,

ROBERT W. SAVAGE.

You are disputing the right of the committee to the information?

Mr. SAVAGE. No, sir. I merely ask for an explanation.

Mr. BRINKMAN. Were you furnished with a copy of this resolution directing the investigation?

Mr. SAVAGE. When you furnished the subpœna. That is the first information I had.

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Senator COPELAND. Would you mind telling me why you are not willing to give this material?

Mr. SAVAGE. I have not refused. I merely knew the Department of Justice had asked for some information. I knew the real estate board had certain forms that they thought were proper and I did not care to be preparing information for any number of people.

Senator COPELAND. It is an unfortunate thing that the small man—I mean that simply in the sense that your properties are not many as they are in other instances—should be made the goat and be the one to challenge the right of the committee to act. I do not have any particular quarrel with you. Your job is not big enough to be of much interest to me. But I think that the real-estate men here misapprehend the heart and intention of this committee. You can do as you choose so far as I am concerned. But one way or another we are going to have this information. If you choose, Mr. Savage, to hide behind a letter apparently dictated by an attorney you may do it; but my advice to the rest of the real estate men is to function as we have tried to have them do.

You seem to take it for granted that because we have an investigation you are to be knifed or badly mistreated. That is a reflection upon the committee. The committee is here to do justice between the people of the United States or of the District, because we are representing them temporarily, and the real-estate men of the District. If you are right in the rates that you charge, you ought to be able to represent those facts to the committee in such way as to convince us. On the other hand, an attitude like this is evidence on the face of it that you do not want the facts to be known; that you do not want the truth to be known. The natural inference is that you are charging exorbitant rents. If you want to have a free and untrammeled and unbiased and unprejudiced hearing, cooperate with us. Otherwise we will take matters in our own hands and get the material as we have the right to do it.

Mr. Savage, we will continue your subpœna until the 28th of November at 2 o'clock p. m. In the meantime talk with your lawyer.

Mr. BRINKMAN. It is in the record that the Senate has ample authority and if necessary it can put people in jail who do not comply with its subpœnas and demands for information.

Senator COPELAND. Yes; there was a gentleman spent a year or two, through one hot summer, in the jail of the District of Columbia, and that ought to be perfectly conclusive to any right-thinking attorney that there is some power after all in the United States Senate. That is all I have to say.

Mr. SAVAGE. I expect the courtesy of a reply to the letter, and that I have not received.

Senator COPELAND. I am not surprised that you do not receive it. Common sense should give you the answer.

Mr. BRINKMAN. You will find the answer in the law books, and your lawyer can advise you. This committee does not give advice on matters of law.

Senator COPELAND. You are excused, Mr. Savage, until 2 o'clock p. m. on November 28.

FURTHER STATEMENT OF MRS. GEORGE W. LEVY

Mrs. LEVY. Senator, I should like to make a statement, if I may be permitted to do so.

Senator COPELAND. You may give your name to the committee and proceed.

Mrs. LEVY. My name is Mrs. George Levy. I should like to know if certain propaganda that is being spread through the Government departments are connected in any way with our real-estate men in Washington or is that a private concern of the Government? I understand that in several buildings there are men going around and asking the Government employees to sign to purchase a building from them as soon as the buildings are constructed. Some will be apartment houses and others will be private houses. If this is a Government project, how can the private owners pay their taxes and rent their apartments? Or is this a concern connected with any of our real-estate men in Washington?

Senator COPELAND. I know nothing about the propaganda or about the proposal you mention. So far as the Government is concerned it has not money enough to pay its running expenses; therefore it is not able to build any such buildings.

Mrs. LEVY. Men are going through the various departments—I understand the Treasury Department, for instance—and I wanted to know if this is probably connected with some of our real-estate men.

Senator COPELAND. You will have to find out who is responsible, but I can give you my word it is not the Government. The Government has not any money even to pay its debts.

Mrs. LEVY. The general run of talk is that that was the reason for the investigation of the senatorial committee.

Senator COPELAND. I have not heard of it.

Mr. CHARLES J. RUSH (secretary of the Washington Real Estate Board). Senator, may I say that I have had quite a bit of information on that. It is a project supposedly promoted by an out-of-town promoter who is endeavoring to sell a group of houses financed possibly through the Reconstruction Finance Corporation to Government employees. There is no Washington realtor or member of the Real Estate Board connected with the project, and it is not a Government project matter.

Senator COPELAND. Is that all, Mrs. Levy?

Mrs. LEVY. That is all, now.

Senator COPELAND. Is there anything further, gentlemen?

Mr. BOWIE. Senator, will you have Mr. Brinkman ask Mr. Savage if he is a member of the Washington Real Estate Board?

Mr. BRINKMAN. I am not interested.

Mr. BOWIE. Do I understand he will not be asked that question for the purpose of the record?

Senator COPELAND. I have no objection to the question being asked and answered.

Mr. BOWIE. May I ask it?

Senator COPELAND. You may.

Mr. BOWIE. Are you a member, Mr. Savage?

Mr. SAVAGE. No; I am not.

Senator COPELAND. May I ask why you asked the question?

Mr. BOWIE. This is the first case of a refusal to give you information.

Mr. BRINKMAN. I beg your pardon, yours was the first case. You have refused to give the information that we asked for two and one-half months ago.

Mr. BOWIE. I have given it to you.

Mr. BRINKMAN. It is still to come in to me.

Mr. SAVAGE. I do not want to be misunderstood. I have not refused to give information.

Senator COPELAND. Mr. Savage, if you will take my advice you will give the information. Pass that on to your lawyer as a little friendly suggestion.

I believe that this has not been a very pleasant meeting. I am sorry. It is an unfortunate thing that there should be a discordance, unfriendly attitude between one group and this particular group. To me it makes no difference what rents are in the District of Columbia—I mean to me personally. I will have to pay my rent at the Shoreham Hotel anyhow and expect to do it. But there is a strong belief, and possibly a well-founded belief, in this city that the rents are too high. Under the organization of the District of Columbia, the District Committee is a sort of board of aldermen for the District. Without any desire on our part to serve on a subcommittee, we have been appointed to conduct this investigation. If I know the men on this subcommittee at all, I know that every one of them is a fair-minded man who will do what is just and right as it is revealed to him. My feeling is that there should be more consideration given to the committee and more hearty cooperation between the real estate men and this group.

Gentlemen, the hearing is adjourned until 2 o'clock p. m., on Monday, November 28.

(Thereupon, at 5.20 o'clock p. m., the hearing was adjourned until Monday, November 28, 1932, at 2 o'clock p. m.)

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RENTS IN THE DISTRICT OF COLUMBIA

WEDNESDAY, NOVEMBER 30, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to call, at 10.30 o'clock a. m. in the committee room, Capitol, Senator Arthur Capper presiding.

Present, Senators Capper (chairman) and King.

Present on behalf of the subcommittee, O. H. Brinkman, Esq., its counsel.

The CHAIRMAN. The committee will come to order. Before we begin our formal proceedings I desire to express my appreciation of the splendid work that has been done during the recess by Senator King and Senator Copeland and other members of the committee who were good enough to remain here to carry on the activities of the committee. Personally I was not in a position to attend the meetings but the work has gone on in a very satisfactory way because of their assistance.

On Thursday, November 10, a meeting of the subcommittee was held at which Senator Copeland presided, and I note from the record of that hearing that an adjournment was then taken until Monday, November 28, at 2 o'clock p. m. I am informed by the clerk of the committee, however, that owing to the necessary absence of members of the subcommittee and for other reasons, the hearing was postponed until this morning at 10.30 o'clock. I make this statement in order that the facts may appear of record.

Mr. Brinkman, what have we for to-day?

Mr. BRINKMAN. After the adjournment of the last meeting until Monday, November 28, certain subpœnas were continued to that date because witnesses had not furnished the information we asked. However, since the last meeting those witnesses have furnished the information asked for and therefore it is not necessary to continue those subpœnas issued to Mr. T. F. Schneider, jr., and Mr. Robert W. Savage. Accordingly those subpœnas have been discharged, and, as the chairman just stated, the meeting was continued until this date. We have for this morning only one witness who has been subpœnaed, Mr. Charles J. Rush, secretary of the real estate board, who has been asked to bring certain records of the Washington Real Estate Board so we might have an opportunity to examine them and prepare for the meeting that will be held either to-morrow or the next day in accordance with the wishes of the subcommittee. Is Mr. Rush present?

Mr. CHARLES J. RUSH. I am.

The CHAIRMAN. Just before we proceed further, I understand Senator Copeland is not able to be here this morning. When did he indicate he would be here?

Mr. BRINKMAN. He was anxious to attend the first meeting of the committee after the recess and indicated that he would be here to-morrow morning. We would like to have any proceedings of importance deferred until to-morrow morning so that he may be here and perhaps summarize for the remainder of the committee what occurred since the first full meeting of the subcommittee. We have issued only one subpœna for this morning and that is for Mr. Rush.

The CHAIRMAN. Do you want to hear Mr. Rush at this time?

Mr. BRINKMAN. I would like to ask Mr. Rush one or two questions, if I may.

The CHAIRMAN. Very well; you may proceed.

TESTIMONY OF CHARLES J. RUSH, SECRETARY WASHINGTON REAL ESTATE BOARD—Continued

Mr. BRINKMAN. You have been previously sworn?

Mr. RUSH. I have.

Mr. BRINKMAN. Have you brought with you the matters mentioned in the subpœna, the records of the Washington Real Estate Board?

Mr. RUSH. I have all as enumerated by yourself in that subpœna.

Mr. BRINKMAN. Are you willing to leave them in the custody of the clerk of the committee until to-morrow with the understanding that no one will examine them unless the clerk of the committee is present?

Mr. RUSH. Perfectly willing to leave them in the custody of the clerk of the committee with the privilege of examination by any interested party. We have nothing to conceal.

Mr. BRINKMAN. I believe that is all.

The CHAIRMAN. I believe it would be better if we wait now until Senator Copeland and possibly other members of the committee may be present, if that is agreeable to Senator King. Senator Copeland expressed to Mr. Ring, the clerk of the committee, and to Mr. Brinkman a desire to be here when the committee resumes its hearings.

Senator KING. I think we ought to grant his request, of course.

The CHAIRMAN. If that will be satisfactory to you, Senator King, we will postpone the further hearing until to-morrow morning. We are informed that Senator Copeland will be here to-morrow morning.

Mr. RUSH. If the Senators will permit, I want to make one offer in connection with the evidence we have here. I would like to leave for the committee's consideration the yearbooks of the Philadelphia Real Estate Board, the Chicago Real Estate Board, the Baltimore Real Estate Board, the San Francisco (Calif.) Real Estate Board, the commission schedules of New York City Real Estate Board, the Newark (N. J.) Real Estate Board, the Salt Lake City (Utah) Real Estate Board, the Birmingham (Ala.) schedules in a letter, and communications from the Baltimore, Topeka, Kans., and Salt Lake City real estate boards to cover any of those phases which are necessary to consider, as well as additional copies of the code of ethics, by-laws, and commission schedules of the Washington Real Estate Board which have been printed and are for public distribution.

Senator KING. What relevancy do you claim those various reports from other States may have in this matter?

Mr. RUSH. For the reason that the work being carried on by the Washington Real Estate Board is similar to work carried on by some six hundred-odd real estate boards in the United States and Canada. We are joined by the same code of ethics in a national association of real estate boards. Our code of ethics was adopted in 1924. We are one of some two hundred-odd associations in America having a code of ethics and we attempt to live up to that code in our business dealings. We want to show the widespread reports which are available in our office from real estate boards throughout the entire United States carrying out the same general ideas that the Washington Real Estate Board carries out in its work for the protection of the interests of the property owners and the men in the real estate business.

Senator KING. You do not offer them for the purpose of showing that the rents charged here are too high or too low?

Mr. RUSH. I personally have nothing to say on rents. If I may be permitted to make this statement, I will say that after 10 years' service as real estate board secretary and a former newspaper man connected with real-estate interests, in four different States, I know of no real estate organization that has yet been able effectively to eliminate competition. The old law of supply and demand is the one thing that affects rental rates, no matter where you are located. If you are overbuilt you are going to find prices are low. If you are underbuilt you will find the prices high. That situation existed in San Francisco when I was there, and in Los Angeles, in San Antonio, Tex., Houston, Tex., and several of the cities in which I have worked. This is not to justify any action on the part of any organization. It is just merely to show that the work being carried on by the Washington Real Estate Board is just the same as that of real estate boards in your own home city, sir, and in other cities. There are 600 real estate boards in the United States with more than 20,000 realtor members. That is the only reason I am offering it. I am not trying to justify anything because we have nothing to conceal from the committee in any way, shape, or manner.

The CHAIRMAN. We are glad to have the information. The subcommittee will now stand adjourned until 10.30 o'clock tomorrow morning.

(Thereupon, at 11 o'clock a. m., the subcommittee adjourned until to-morrow, Thursday, December 1, 1932, at 10.30 o'clock a. m.)

RENTS IN THE DISTRICT OF COLUMBIA

THURSDAY, DECEMBER 1, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE
DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present: Senators Capper (chairman), King, Copeland, and Blaine.

Present on behalf of the committee: O. H. Brinkman, Esq., its counsel.

The CHAIRMAN. You may proceed, Mr. Brinkman.

Mr. BRINKMAN. If the committee please, there are some witnesses who are anxious to get away. At the request of Senator Copeland and some other members of the committee for information as to whether or not there is a black list against tenants who desire to remove from one apartment to another and who have a lease, we have called some witnesses this morning on that particular subjct. Inasmuch as some months have gone by since we had testimony on the realtors on that subject I think it well to refresh the committee's mind on that subject.

For instance, on June 17, 1932, as appears at page 14 of the printed record, Mr. Bowie, who is connected with the H. L. Rust Co. as vice president and who was at that time president of the Washington Real Estate Board, in answer to a question by Senator Copeland as to whether people who are not satisfied could go elsewhere, said:

> Absolutely, Senator; it could not possibly be anything else, with all the opportunities they have to go other places.

At page 106 of the printed hearings Mr. Randall H. Hagner, who is the head of the Randall H. Hagner Co., one of the largest real estate rental firms in the city, was asked by Senator Copeland:

> Have you got some sort of inter-office arrangement by which you communicate with each other when a tenant moves out?

Mr. Hagner replied:

> None on the face of the earth that I know of. I think it would be a good thing; but so far as I know, there is not.
>
> Senator COPELAND. No black list?
>
> Mr. HAGNER. Absolutely none. And I have heard of this so-called real estate ring, and I have been mortified, because we consider that we have a fair-sized business and have never been admitted, or know anything about it.

Senator COPELAND. You have not heard of any instance where a party desired to leave one house and has found it impossible to get into another one?
Mr. HAGNER. Absolutely no, but it is the reverse.

Then on page 107 Senator Copeland asked:

The real situation here is, there is no conspiracy on the part of the real estate owners, but there is this attitude of "dog eat dog"?
Mr. HAGNER. Absolutely.
Senator COPELAND. So a tenant here is at perfect liberty to leave your house and move into my house, and there is nothing to interfere with that change of residence?
Mr. HAGNER. And if you are not careful, some other agent will offer him inducements to move out of your house into his. It is a merry-go-round, without any protection to anybody.

That was the sworn testimony of Mr. Hagner who is also a member of the real estate board.

Then on page 110 of the printed hearings is found the sworn testimony of Mr. Linkins who, I believe, is a member of the real estate board and who resisted our efforts to get information under a questionnaire, but who was testifying here under subpœna at the time. He was asked by Senator Copeland:

I noticed one thing in your letter that I want to ask you about. Do you deny that rentals are being artificially maintained at higher levels?
Mr. LINKINS. Absolutely.
Senator COPELAND. There is no sort of conspiracy or cooperation between the real estate men of this town?
Mr. LINKINS. None whatever, and never has been. I never talked to any other office in regard to fixing rentals on properties in my life and no other office has ever talked to me.
Senator COPELAND. Mr. Linkins, suppose I moved out of the apartment where I am and wanted to go to some other apartment, would I have any difficulty about getting in the other apartment?
Mr. LINKINS. Not if you paid your rent to the former landlord. We always do check up, and I think all offices check up, to find out if a tenant pays his rent promptly.

Then on page 111 of the same harings Mr. Linkins continued by stating that there would be no interference with a tenant moving from one apartment to another, and so on.

On page 115 Mr. H. G. Smithy, a prominent realtor and member of the real estate board, testified under oath in answer to questions by Senator Copeland:

Now I want to ask you, Mr. Smithy, are you conscious of any combination between the real estate men, putting in effect what is really a blacklist?
Mr. SMITHY. No, sir; I never heard of it.

I think it advisable, in accordance with the request of Senator Copeland, to call several witnesses on that point, to ascertain whether there is any cooperation or agreement on the part of the real estate board to prevent tenants transferring from one building to another, and also as bearing on the reliability and credibility of these real estate men and the evidence which I assume they will present later. I think we ought to test their credibility on this particular matter and perhaps use it as a guide in relation to other matters on which they will testify later in these hearings.

I have asked four witnesses to be here. One of them is very loathe to be here, stating that she has been advised by one of her superiors in a Government office not to testify, and for that reason she desires to testify in an executive session of the committee. I think the committee is agreeable to that. Another witness was reluctant to come and finally called me up and said she had a cold and was under the doctor's care and could not come down. She was subpœnaed, but I do not like to take the responsibility of bringing her out of the house even on a day like this. The committee may perhaps hear her later. We have two other witnesses available, however, and I would like to call Mr. Ardinger first.

The CHAIRMAN. Do these witnesses we are to hear volunteer this information as to some kind of a black list or agreement upon the part of the real estate men?

Mr. BRINKMAN. Not to permit them to move from one apartment to another without a release.

The CHAIRMAN. Did they bring that information to the attention of the committee?

Mr. BRINKMAN. Yes; in fact before the committee really got under way we received a number of letters. We did not seek out these witnesses. They wrote in voluntarily, but some of them apparently have been a little reluctant to appear before the committee in person.

TESTIMONY OF KENNETH E. ARDINGER

(The witness was duly sworn by Senator Copeland.)
Mr. BRINKMAN. What is your name and address?
Mr. ARDINGER. Kenneth E. Ardinger, 829 Quincy Street.
Mr. BRINKMAN. Where did you live before you lived at that place?
Mr. ARDINGER. I lived at 1020 Monroe Street.
Mr. BRINKMAN. From whom did you rent that place?
Mr. ARDINGER. Thomas J. Fisher Co.
Mr. BRINKMAN. Did you find it necessary to move from that place?
Mr. ARDINGER. Yes, sir.
Mr. BRINKMAN. For what reason?
Mr. ARDINGER. I was out of work. I had lost my position and was unable to pay the rent that was required at 1020 Monroe Street.
Mr. BRINKMAN. You found it necessary to reduce your expenses and to move to some other place because you were out of employment?
Mr. ARDINGER. Yes, sir.
Mr. BRINKMAN. Have you any children?
Mr. ARDINGER. No, sir.
Mr. BRINKMAN. There is just your wife and yourself?
Mr. ARDINGER. Just my wife and myself.
Mr. BRINKMAN. Did she also lose her position?
Mr. ARDINGER. Yes, sir.
Mr. BRINKMAN. Then what did you do when you found it necessary to make a change?
Mr. ARDINGER. I looked for another apartment.
Mr. BRINKMAN. Where did you find one?
Mr. ARDINGER. At 829 Quincy Street.
Mr. BRINKMAN. Who had that for rent?
Mr. ARDINGER. B. F. Saul.

Mr. BRINKMAN. Did you arrange to rent that apartment?

Mr. ARDINGER. Yes, sir.

Mr. BRINKMAN. What happened then? To refresh your memory I hand you a letter.

Senator KING. He may know without having his memory refreshed.

Senator BLAINE. It is his own letter—that is, a letter addressed to him.

Mr. BRINKMAN. Tell the committee what happened when you tried to rent from Saul?

Mr. ARDINGER. I went to Thomas J. Fisher & Co. and told them I would have to move to reduce my expenses and asked them to reduce the rent. They said no they could not do that. I said I would have to move because I could not pay the rent. They said, "We can not release you from your lease." I went to the B. F. Saul Co. to rent an apartment and they said "We can not rent you an apartment unless Thomas J. Fisher releases you."

The CHAIRMAN. How did they know you had been renting from Thomas J. Fisher?

Mr. ARDINGER. I think they asked who I was renting from.

Senator KING. Did you have a written lease with Thomas J. Fisher & Co.?

Mr. ARDINGER. Yes, sir.

Senator KING. And the lease had not expired?

Mr. ARDINGER. Yes, sir.

Senator KING. I suppose if you had made some composition of differences over the lease for the unexpired term it would have been surrendered. You made no offer to compromise the difference, did you?

Mr. ARDINGER. I told them I would keep the apartment if they would reduce the rent.

Senator KING. How much longer had your lease to run?

Mr. ARDINGER. Three months.

Mr. BRINKMAN. And you were out of work at that time?

Mr. ARDINGER. Yes, sir.

Mr. BRINKMAN. And could not pay the rent?

Mr. ARDINGER. Yes, sir.

Mr. BRINKMAN. Did you receive a letter from B. F. Saul Co., from whom you tried to rent a house?

Mr. ARDINGER. Yes, sir.

Mr. BRINKMAN. Is this the letter which I show you?

Mr. ARDINGER. Yes, sir.

Mr. BRINKMAN. I would like to read that letter into the record. It is a letter on the letterhead of B. F. Saul Co., mortgage loans, 925 Fifteenth Street NW., Washington, D. C., and is dated June 28, 1932, and reads as follows:

Mr. KENNETH ARDINGER,
1020 Monroe Street NW., Washington, D. C.

DEAR SIR: Upon receipt of this communication we would thank you to kindly call to see the writer in connection with a deposit which you recently left on 105-829 Quincy Street NW.

We understand that you have a lease on your present apartment which does not expire until September, 1932, and as your present agents, Thos. J. Fisher Co., are members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them.

Trusting that you will give this matter your immediate attention, we remain,

Very truly yours,

B. F. SAUL CO.,
GEORGE SCHULTZ,
Rent Department.

Then what did you do?

Mr. ARDINGER. I went back to the manager of the property at 829 Quincy Street and told her about it and she said she did not like the attitude that B. F. Saul was taking, that she did not think it was the right attitude, and she got in touch with the owner of the building and notified him she had a tenant that wanted to come in and the real-estate company would not let him, so the owner of the building got in touch with the real-estate company, the B. F. Saul Co. and told them to go ahead and rent to the tenant and never mind what Thos. J. Fisher had to say about it.

Mr. BRINKMAN. So the owner finally overruled his agent and allowed you to rent?

Mr. ARDINGER. Yes, sir.

Senator COPELAND. Then you did move into that apartment?

Mr. ARDINGER. Yes, sir.

Senator KING. Is there a representative of the B. F. Saul Co. here?

Mr. J. W. JACOBS. Yes, sir.

Mr. BRINKMAN. Mr. Jacobs is executive vice president of the B. F. Saul Co.

Senator KING. Mr. Jacobs, are you familiar with this letter?

Mr. JACOBS. No, sir.

Senator KING. Is that the policy of your company?

Mr. JACOBS. I could not answer that.

Senator KING. You are vice president, are you not?

Mr. JACOBS. Yes, sir.

Senator KING. Do you not know what its policy is?

Mr. JACOBS. In some instances, but the rent department handles the matter entirely. It does not come to my attention.

Senator KING. Does your organization have an understanding with other real-estate agents in Washington that you will not rent if there is any delinquency upon the part of any tenant owing to somebody else?

Mr. JACOBS. I think if there was a delinquency in the payment of rent they would hesitate to rent if some other broker said they had not been paying their rent. There is no arrangement so far as I know regarding a lease.

Senator KING. You understand that if a person is unable to pay the rent and abandons the premises which he has rented, for say, a year—that is to say, abandons the premises before the expiration of the year—it is the policy of your organization not to rent to that individual?

Mr. JACOBS. We would give that consideration if he had broken a lease elsewhere.

Senator KING. No matter what the conditions were, if he had been unable to pay the rent and sought to rent premises from you, you would refuse to lease to him?

Mr. JACOBS. I think we would check the facts and take them into consideration.

Senator KING. You would refuse to lease to him, as was done here?

Mr. JACOBS. In some instances we would, no doubt; in others, I think not.

Senator KING. Do you call that a black list?

Mr. JACOBS. I would not call it a black list.

Senator KING. What do you call it?

Mr. JACOBS. I would call that evidence of faith on the part of the tenant.

Senator BLAINE. You communicate with the other agents to ascertain whether or not the rent has been paid?

Mr. JACOBS. Why, yes; whether the tenant has paid the rent.

Senator BLAINE. That is the policy of the real estate board?

Mr. JACOBS. I do not know about the policy of the board. That is our policy.

Senator BLAINE. What is the purpose of such a policy?

Mr. JACOBS. To obtain the credit standing of the tenant.

Mr. BRINKMAN. In this instance there is no evidence that the man was delinquent or had not paid his rent, and in that letter there is nothing said about a delinquency for rent.

Senator KING. There is delinquency if he says he can not pay it and wants to cancel the lease.

Mr. BRINKMAN. So far as the record shows, he was paid up. There was no arrears at the time he wanted to move.

Senator KING. There is an obligation for three months more rent. I am assuming there was a valid lease for the apartment. Then there would be an obligation for the payment of three months more rent.

Senator COPELAND. I should like to have the record show that these real estate men have invariably testified that if a tenant moved out in spite of the fact that a lease existed, that was the end of it. One man said it was a case of "dog eat dog" and that there would be no interference on the part of the real estate people in the case of a removal under such circumstances. Of course I assume one purpose of the hearing is to make it possible for persons who are in reduced circumstances by reason of new economic conditions to move to new quarters where they can get lower rents. I suppose that is one reason why we are holding these hearings, and to assist in getting the rents as low as possible. This is evident, I take it, Mr. Brinkman, that a black list actually does exist?

Mr. BRINKMAN. There is an arrangement sponsored by the Washington Real Estate Board under which tenants are barred from moving from one place to another unless they can secure a release.

Senator CAPPER. That is borne out by the statement in this letter which B. F. Saul wrote, as follows:

As your present agents, Thomas J. Fisher Co., are members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them.

Mr. JACOBS. That arrangement exists only as between members of the Washington Real Estate Board?

Mr. JACOBS. I am not familiar with it. It comes under a different department in our office.

The CHAIRMAN. It is clear from this statement that there is an understanding among the members of the real estate board.

Mr. JACOBS. It would appear so; yes, sir.

Senator BLAINE. May I ask, Mr. Jacobs, the name of the man who signed this letter? It is not very clear.

Mr. JACOBS. His name is George Schultz.

The CHAIRMAN. What is his position?

Mr. JACOBS. A clerk in the rent department.

Mr. BRINKMAN. I have refrained from asking Mr. Jacobs any questions because, in view of the evidence, I will later present evidence tending to show the existence of a combine which I believe violates the law and which would subject the members of the real estate board to be not only fined, but imprisoned, and I do not feel that immunity should be granted them by calling upon them to testify without having them first sign a waiver of immunity. For that reason I suggest it well not to ask any members of the real estate board any questions until they sign a waiver of immunity which I have prepared. This is merely a suggestion on my part. The committee will remember that in an investigation conducted by Senator Blaine's subcommittee of the mortgage situation, he called a witness and asked him to sign a waiver of immunity and on the advice of counsel he refused, and later was prosecuted and convicted. I felt if we had permitted him to testify without signing his waiver, the district attorney could not have prosecuted him later because he would have been called upon to testify against himself and incriminate himself.

Senator BLAINE. We declined to call the Halsey-Stuart people or any member of that organization, four or five of whom have been indicted in my State, charged with using the mails to defraud in connection with the sale of bonds on property in the District of Columbia. Of course they have no immunity.

Mr. BRINKMAN. I would like to call another witness on this point.

The CHAIRMAN. Very well.

TESTIMONY OF MISS ELLEN M. KELLY

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Will you state your name for the information of the committee?

Miss KELLY. Ellen M. Kelly.

Mr. BRINKMAN. Where do you live?

Miss KELLY. I now live at 736 Twenty-second Street NW.

Mr. BRINKMAN. Where did you live before that?

Miss KELLY. At the Keystone, 2150 Pennsylvania Avenue.

Mr. BRINKMAN. From whom did you rent?

Miss KELLY. B. F. Saul Co.

Mr. BRINKMAN. Will you state the circumstances under which you rented the one place and moved to the other place?

Miss KELLY. I had an apartment in the building and changed apartments.

Mr. BRINKMAN. In the Keystone?

Miss KELLY. Yes. They would not take a lease for three months, the balance of the time I had on the first apartment, but made me sign a lease for 15 months in order to take an apartment at all. I could not get relieved from the other apartment unless I did that.

Mr. BRINKMAN. Was the one a cheaper apartment?

Miss KELLY. I had a $47.50 apartment by myself, but I went across the hall with another girl, and then I found that I did not like to live with her so I decided to move into another apartment, which was $50 a month. I signed the lease, and three days later I was notified of a 25 per cent pay cut. I had anticipated a 10 per cent pay cut, but 25 per cent was more than I expected and I could not keep up the expense under which I was living.

Senator COPELAND. Are you a Government worker?

Miss KELLY. No. I work for the Paint and Varnish Trade Association.

Mr. BRINKMAN. You found you could not pay the rent?

Miss KELLY. I could not. I had had a cut the year before of 25 per cent that absolutely killed my budget.

Mr. BRINKMAN. How much was the total cut?

Miss KELLY. It was 25 per cent.

Mr. BRINKMAN. Twenty-five per cent the year before?

Miss KELLY. The year before I had almost a 25 per cent too.

Mr. BRINKMAN. So your pay was cut in half?

Miss KELLY. Almost. It was a 25 per cent cut this time after I had been cut 25 per cent of my previous pay. I talked with the resident manager about it and she told me I would have to take it up with Saul. I had only had three days' notice on my pay cut, and I just signed the lease. I wrote a letter to B. F. Saul Co. in which I told them I would like to break my lease and that I regretted it very much. They knew I had had the pay cut because there were two or three others in the building who worked at the same place I did and had all had the same experience. They told me they could absolutely not break the lease and would garnishee my wages. I knew if they ever garnisheed my wages my position was gone, because they would not bother with anybody whose wages were garnisheed.

I went over and talked to the man in charge of the rent department, Mr. Emley, and he was very abrupt with me. Mr. Emley later apologized for being so abrupt. However, I went ahead and went in another apartment hoping they would not garnishee me. I went ahead and rented the apartment and then went to the head of the rent department and told her the reason why I broke the lease. She said she would let me know in two or three days. I expected I would have trouble. I called again and asked if it would be all right and she said she would call me back. She did call me back and said I would have to get straightened out with B. F. Saul Co., because they always had a very good arrangement with Saul which they lived up to, and if I had broken the lease I would have to get a release from the Saul company before they would rent to me.

I am from New York State and knew Senator Copeland was on this committee so I went over to see Mr. Jurney in his office and he called the B. F. Saul Co. and H. L. Rust, and they told him the same thing. Finally he got Mr. Saul of the B. F. Saul Co. and talked with him and he said he would do what he could. He told me to go over to Saul's office. Mr. Emley told me nobody could go to Senators that way, that they could not do anything for me; that I would have to go ahead.

Senator COPELAND. When was this?

Miss KELLY. The last part of July or first part of August. I went back and the next day I had a telegram from Mr. Jurney telling me that Saul Co. would release me if I would pay the full month of August rent. That was the point. I did not feel I could pay it. I went over to Saul Co. and they said if I would pay half of August and give a note for the balance, they would give me a release, which I did. When I went to rent the apartment at the Drake, the other place, they had not held it for me and I had to go through the process of finding another cheaper apartment.

Senator KING. Who owned the Drake Apartment?

Miss KELLY. The H. L. Rust Co. They did not own it; they were the agents.

Senator KING. You did not go to the owner?

Miss KELLY. No. They told me the owner was very fussy about it and very cranky and there was no use doing anything about it.

Senator KING. Who owned the building in which you were trying to rent?

Miss KELLY. I believe a man named Schultz owned it, and Saul was the agent.

Mr. BRINKMAN. Was that building pretty well occupied?

Miss KELLY. At the time I was to move there were several people going out. I asked how the other people got out. Some girls I knew in the Commerce Department that were cut so badly in salary, moved out with only one day's notice, and they told them they were going to garnishee the girls and had suits against them for breaking their leases and had an attorney named Fisher proceeding against them. They threatened me with the same thing.

Mr. BRINKMAN. Who did you talk with at the Rust office?

Miss KELLY. The lady in charge of the rent department.

The CHAIRMAN. She told you they had an agreement with the B. F. Saul Co.?

Miss KELLY. Yes; they had always treated the Rust Co. the same way and they would have to reciprocate.

The CHAIRMAN. Did any one at the B. F. Saul Co. tell you that?

Miss KELLY. Mr. Emley, and he admitted it to Mr. Jurney, and Mr. Jurney said, "Is not that just the thing we are investigating?" I do not know what he said back.

The CHAIRMAN. So you had information from both ends that there was an agreement of that kind?

Miss KELLY. Yes, I did.

Mr. BRINKMAN. Did either one say anything about the Washington Real Estate Board?

Miss KELLY. Not except when I was trying to get the lease canceled. Mr. Emley told me they would not rent to me if I broke my

lease with any one who was a member of the real estate board, but inasmuch as this man was not a member of the real estate board they would rent it to me.

The CHAIRMAN. Where was this?

Miss KELLY. I was renting out on Wisconsin Avenue, and the management was not very good. I wanted to move, and I was moving into a building at 5130 Connecticut Avenue. He said inasmuch as this man was not a member of the board they would rent to me, and he did rent to me at that time. When I took the apartment this man owned it, but in the meantime it changed owners.

Senator COPELAND. That is to say, when you moved into the Saul building they had knowledge that you had a lease, but because the concern where you were living did not belong to the real estate board it made no difference in that case?

Miss KELLY. Yes.

Senator COPELAND. But when you sought to leave the Saul building to go to the Rust building, that concern being in the real estate board, then they refused to permit it?

Miss KELLY. Yes, sir. That is the reason why I knew I would have trouble, and that is why I was so careful about it.

Senator COPELAND. It would seem to be a case of "dog eat dog" only if one is outside of the real estate board.

Mr. BRINKMAN. The board has a high standard of ethics, but those ethics do not apply unless you are a member of the board.

Miss KELLY. I did not want to lose the opportunity to get a less expensive apartment. I simply had to do it because of my pay cut.

Mr. BRINKMAN. I think that is all.

There are two other witnesses who will testify along the same lines. One is sick and under the doctor's care. We can call her later. The other witness is one whom Senator Copeland said wants to be heard in executive session. She told me so, and I think I ought to be sworn before I make a further statement about it.

Senator KING. If we are going to hear her in executive session there is no necessity for going into that now. If we hear a witness in executive session and testimony is given which affects any other person or the real estate board, it is only fair that opportunity be given those against whom she may testify to appear before the committee and answer.

Senator COPELAND. I should like to say that my thought is that if her testimony proves to be really material, it must be given in open session ultimately.

Senator KING. Of course.

Mr. BRINKMAN. I have a letter from her which the committee may want to read before having it placed in the record.

The CHAIRMAN. I think the question she raised was the matter of publicity for some personal reasons that would be very harmful to her.

Senator KING. So far as I am concerned in these matters, those against whom testimony is given have a right to hear the testimony and have a chance to answer it. We can not have hearings in camera.

The CHAIRMAN. I think you are right, Senator King, but it might be that the witness could be protected against newspaper publicity that might be harmful to her.

Mr. BRINKMAN. I suppose we could subpœna the witness, and I am willing to do so if the committee thinks that should be done.

Senator COPELAND. I do not think we should do that in view of what has been said, but if this witness has something material I should insist that it be given to the open committee.

Mr. BRINKMAN. I am just informed by the clerk of the committee that the witness has stated to him that she is willing to testify now. May she be sworn?

The CHAIRMAN. Yes; let her be sworn.

TESTIMONY OF MRS. MARY L. LANSDALE

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Will you state your name and address for the information of the committee?

Mrs. LANSDALE. My name is Mary L. Lansdale; 1235 Connecticut Avenue.

Mr. BRINKMAN. Are you married?

Mrs. LANSDALE. I am a widow.

Mr. BRINKMAN. Do you have any children?

Mrs. LANSDALE. Two.

Mr. BRINKMAN. Are you the sole support of those children?

Mrs. LANSDALE. I am.

Mr. BRINKMAN. Where did you live before you moved to your present address?

Mrs. LANSDALE. 1740 K Street NW.

Mr. BRINKMAN. From whom did you rent there?

Mrs. LANSDALE. I rented from the owner there, a Mr. Lovelace. That is the case you wanted to hear about.

Mr. BRINKMAN. Tell us the facts in the case.

Mrs. LANSDALE. I was at 1740 K Street for about three years and was taken very ill and the doctor ordered me to move because the apartment was so very, very dirty. It was just about the time there were rumors of the Government pay cut. I found this apartment at 2807 Connecticut Avenue that Fisher Co. had. I told them that I could not pay that amount of rent if we got our cut; otherwise it was alright. Mr. Shoemaker gave me to understand——

Mr. BRINKMAN. Who was he associated with?

Mrs. LANSDALE. He was with the Thomas J. Fisher Co. and also was resident manager. He gave me to understand that if the Government cut should go through, which they did not think it would, the company would be reasonable in releasing me from that lease. That was his statement. When the cut went through I went down to him and he positively refused to do anything about it. I went in several times to see him and he said they could not release me. I went to the owner of the building and he said he could not release me. I had been so ill I had to put the children in a boarding school and I could not pay that rent and the boarding school expenses too. I hunted everywhere for a cheaper apartment. I offered to pay $40 a month for this apartment, but they would not accept it.

Senator COPELAND. How much were you paying?

Mrs. LANSDALE. I was paying $47.50 for one room. I offered to pay $40, but they would not accept it and I went hunting for something less expensive. I could not find anything anywhere so I

finally went back to 1417 K Street, where I heard they were cleaning up. Boss & Phelps had the apartment house there.

Mr. BRINKMAN. They were the agents?

Mrs. LANSDALE. Yes. The young man took my $5 deposit on the apartment and later when I went back to sign the lease the man in charge of the rent department asked if I had a lease some place else. I said yes, I had a lease with the Thomas J. Fisher Co. and that they had refused to release me. I explained to him that I had even seen the owner, and I even advertised that apartment trying to rent it for them before I left there.

Mr. BRINKMAN. What did Boss & Phelps say?

Mrs. LANSDALE. He had the operator call Mr. Shoemaker at Fisher & Co.

Mr. BRINKMAN. Did Boss & Phelps say they could not rent to you?

Mrs. LANSDALE. He did not say anything then. He said "Wait a minute," and he went to the telephone and called Shoemaker. I said "You need not call him. I told you they would not release me." He said "I will call them and verify it." He talked to the Fisher Co. and was told I was not released. He returned my $5 deposit and told me that there was a courtesy which some real estate companies extended to each other and that they could not rent me an apartment.

Mr. BRINKMAN. At that time were you in arrears?

Mr. LANSDALE. No; I was not.

Mr. BRINKMAN. You did not owe them anything?

Mrs. LANSDALE. No. Just before we found out positively we were going to have a pay cut, I told them it was absolutely impossible for me to pay the rent any longer.

Mr. BRINKMAN. That you had your children to support?

Mrs. LANSDALE. Yes; and I explained all that to Mr. Shoemaker before I signed the lease, and he said "We will be reasonable about it if you get a pay cut, if you will come down and talk to us." When I went down to talk to them he said they could absolutely do nothing.

Senator COPELAND. What did you do when you were not able to pay in the first place and went into the second place?

Mrs. LANSDALE. The owner himself rented me the apartment, Mr. Lovelace, at 1740 K Street.

Senator COPELAND. Is that the same building where the real-estate agent had refused to take you?

Mrs. LANSDALE. Yes.

Mr. BRINKMAN. You went to the owner then?

Mrs. LANSDALE. Yes. He said he did not care what agreement they had, that he wanted his apartments rented.

Mr. BRINKMAN. You were subpœnaed, were you not, and I insisted upon your coming down before the committee?

Mrs. LANSDALE. Yes.

Mr. BRINKMAN. You did not want to come down?

Mrs. LANDSDALE. No; I did not.

Senator COPELAND. It was embarrassing for you, but you did your duty and we are thankful to you.

The CHAIRMAN. I do not believe you will have any trouble about it.

Senator BLAINE. You were here at the request and the command of the committee.

(Witness excused.)

Mr. BRINKMAN. There is another witness on this same subject matter, but she is sick in bed. The committee may want to have her appear later or this may be sufficient on that point. That is all the testimony on that particular point.

Senator KING. Call your next witness.

Mr. BRINKMAN. I would like to inquire if Mr. Rush is here?

Mr. RUSH. I am.

Mr. BRINKMAN. Do you have the list of members of the Washington Real Estate Board?

Mr. RUSH. I have.

Mr. BRINKMAN. May I have it?

Mr. RUSH. You may.

Mr. BRINKMAN. Is Miss Meister here?

Miss MEISTER. Yes.

Mr. BRINKMAN. Come forward, please, and be sworn. I would like to say, by way of introduction, that there was in existence for some years an organization called the Association of Building Owners and Managers. That organization is still listed in the telephone book and its address is the address of the Fidelity Storage Co., of which Mr. David B. Karrick is the head, and they have a number of apartments themselves. The name of the organization is still listed in the telephone book, but it apparently is a nonexistent organization; at least, that is what I was told by Mr. Karrick. Due to certain circumstances which I will explain to the committee later I think it necessary to investigate the activities of that organization. I was unable to get much information, but I found Miss Meister was formerly secretary of that organization. Therefore I have called her and ask that she may be sworn.

TESTIMONY OF MISS MATHILDA B. MEISTER

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Will you state your name for the committee?

Miss MEISTER. Mathilda B. Meister.

Mr. BRINKMAN. You are now connected with the emergency relief organization here?

Miss MEISTER. I am.

Mr. BRINKMAN. Before that in what capacity were you employed and by whom?

Miss MEISTER. Previous to my present employment I was with the Harris & Ewing studio. Previous to that I was with the Washington Association of Building Owners and Managers.

Mr. BRINKMAN. What was your connection with that association?

Miss MEISTER. I was executive secretary.

Mr. BRINKMAN. In that capacity did you keep any minutes of the proceedings or the meetings?

Miss MEISTER. Yes.

Mr. BRINKMAN. Until about what date?

Miss MEISTER. My memory is not very good. It was after the last campaign against the attempt to put in a permanent rent commission. My employment was discontinued because we were not active.

The record will show what date that was. It was in the fall after that.

Mr. BRINKMAN. Was it 1924 or 1925?

Miss MEISTER. I think it was. It was when the last attempt was made to pass the permanent rent act. Your Senate committee hearings would show the date exactly.

Mr. BRINKMAN. You say you did keep minutes of the meetings and proceedings?

Miss MEISTER. Yes.

Senator COPELAND. Did you testify at that time before the committee?

Miss MEISTER. No; I did not.

Senator COPELAND. Is that the one which I was a member?

Miss MEISTER. Yes. Senator Gore represented us.

Mr. BRINKMAN. How were those minutes kept? Were they kept in a minute book?

Miss MEISTER. I usually attended the meetings and made my own notes and wrote up the minutes.

Mr. BRINKMAN. And all the minutes were kept together?

Miss MEISTER. So far as I know, yes; in the usual fashion in which we keep such things.

Senator COPELAND. And approved at the various meetings?

Miss MEISTER. As I remember. I think Mr. Karrick signed them.

Senator COPELAND. Who was the president?

Miss MEISTER. James McD. Shea.

Mr. BRINKMAN. Was Robert L. McKeever connected with the organization?

Miss MEISTER. When I was with the organization he was president.

Mr. BRINKMAN. Did you keep minutes then?

Miss MEISTER. I think so. It is my recollection we kept them. We were rather an orderly crowd of people doing business in an orderly fashion.

Mr. BRINKMAN. Where was your office then?

Miss MEISTER. When I was first employed we had our offices with McKeever & Goss, and later we moved to the Fidelity Storage Co. where we had office space.

Mr. BRINKMAN. I believe that is all for this witness. I am developing this matter and will develop something from another witness.

The CHAIRMAN. I would like to know a little more about the purposes of the association and what its activities were?

Mr. BRINKMAN. I think the minutes would best show that if we had them.

Senator COPELAND. Are they to be introduced?

Mr. BRINKMAN. We can not find them. I am trying to locate them. I have talked with the various officers and they can not find them. That is why I want to find out definitely whether there were minutes kept.

Senator KING. Have you not laid the foundation for secondary evidence or do you intend to pursue that further and show that the minutes are not available and then offer secondary evidence of their contents?

Mr. BRINKMAN. My thought is that this witness has shown there were minutes. This investigation may pass from our hands. Under the terms of the resolution under which we are proceeding, we are

required to turn over the evidence to the Department of Justice. I have developed the fact that there were minutes. I am perfectly willing to be sworn to state that I have interviewed Mr. R. L. McKeever and Mr. David Karrick and Mr. Snow, who was connected with the organization, and we have not been able to find the minutes. I found the minutes of only one meeting, and that was a meeting in which they discussed raising the sum of $3,500 to fight the continuation of the rent act.

Senator COPELAND. Was it organized for that particular purpose?

Mr. BRINKMAN. No. The purpose of the organization was ostensibly to help owners who operated the buildings to cooperate.

Senator COPELAND. A mutual protective organization?

Mr. BRINKMAN. Sort of a beneficial organization.

Miss MEISTER. I never heard the words "mutual protective" used in connection with it. The purpose was scientific management of realty.

Senator COPELAND. Does that mean to get as high a price for each property as possible.

Miss MEISTER. I would not say that. I should say that it meant getting the best results from your investment with the most economical management.

The CHAIRMAN. The main purpose was to keep up rents?

Miss MEISTER. No; there was no effort to keep up rents.

The CHAIRMAN. They were interested in legislation up here and undertaking to prevent legislation?

Miss MEISTER. The interest was due to the fact that they felt the purpose of the bill was unconstitutional and that the law of supply and demand was an answer to the proposition; that the Government employees had never been properly paid and therefore could not meet the increased cost of living, which I think has been demonstrated since that time.

Senator COPELAND. Was that the organization with which Mr. MacChesney was connected and who appeared before our committee?

Miss MEISTER. I believe so, but I am not sure.

Mr. ROGER J. WHITEFORD. That was another committee. Senator Gore represented the Association of Building Owners and Managers.

Miss MEISTER. I do not know whether this is relevant or not, but the organization has not been active. It did not have assets to be wound up, and it is very likely those records are not available for that reason.

Mr. BRINKMAN. You do not know about anything that happened after you left?

Miss MEISTER. No.

Mr. BRINKMAN. You were not connected with it for a period of several years?

Miss MEISTER. I know it has not been active because I have had occasional contact with my former employer.

Mr. BRINKMAN. With Mr. Karrick?

Miss MEISTER. Yes.

Senator KING. Was it functioning when you left the organization?

Miss MEISTER. In a haphazard fashion as things do when you do not have an executive in charge of them.

Senator KING. It practically ceased to be a going concern when you severed your connection with it?

Miss MEISTER. To some extent that is true.

The CHAIRMAN. What did it accomplish in the way of making better conditions here?

Miss MEISTER. I should say that there had been some helpful studies of the cost of operation and there had also been some effort made to buy cooperatively so as to reduce the costs there. There had been various studies as to rental conditions. The record of the investigating committee shows what had been accomplished along that line.

Senator KING. You were acquainted with the objects of the organization?

Miss MEISTER. Yes.

Senator KING. What would you say as to the purpose of the organization and whether that purpose was achieved and if not what obstacles were interposed to prevent its achievement?

Miss MEISTER. Senator, it was an organization for mutual helpfulness in understanding the management of real estate. I think some of those men have been able through the studies which were conducted to handle their properties more advantageously. I think they were interested in legislation. I can not say that they were responsible for the failure of the rent act. We were opposed to it.

Senator COPELAND. At least the rent act was not continued?

Miss MEISTER. No indeed. It existed prior to that time.

Senator COPELAND. This organization raised $3,500, Mr. Brinkman said, for the purpose of defeating it.

Mr. BRINKMAN. They agreed to raise it.

Senator COPELAND. Any way, the rent act was not continued.

Miss MEISTER. Was it not shown that there were various abuses under the rent act that needed correction?

Senator COPELAND. Perhaps so. There was an effort on the part of the Washington Association to maintain the Constitution. They were not particularly interested in the rent matter, but just to have the Constitution supported and maintained.

Miss MEISTER. I think most of us are interested in having the Constitution supported.

Senator COPELAND. Some of us want to change it in certain particulars.

Miss MEISTER. I think most of us agree that it should be changed.

Mr. BRINKMAN. That organization did send out a questionnaire to its members asking the prices they were getting for office space, did it not?

Miss MEISTER. Yes.

Mr. BRINKMAN. So the members reported the prices they were getting for office space?

Miss MEISTER. Yes.

Senator BLAINE. Do members of the real estate board belong to your organization?

Miss MEISTER. A few of them. In fact, I suppose half of them were members of both organizations at that time.

Senator KING. This was not an adjunct of the real estate board?

Miss MEISTER. No.

Senator KING. It was a separate institution altogether?

Miss MEISTER. Yes.

The CHAIRMAN. Why was it necessary to have a separate organization?

Miss MEISTER. I do not know except that these men had a broader vision of what might be accomplished by a scientific study of the problem. The Washington Association of Building Owners and Managers was, I believe, incorporated under a national association which has its headquarters in Chicago and that is still very active.

Senator COPELAND. It has headquarters in Chicago now?

Miss MEISTER. The National Association of Building Owners and Managers has.

Senator COPELAND. Is Mr. MacChesney connected with it?

Miss MEISTER. I believe not. I am not sure, because I am not identified with that movement now and do not know.

Mr. WHITEFORD. Mr. MacChesney is connected with another organization which I think does not have anything to do with the building owners and managers.

Mr. BRINKMAN. That is all I wish to ask the witness.

The CHAIRMAN. You may be excused, Miss Meister.

(Witness excused.)

Mr. BRINKMAN. I have also asked Mr. McKeever, who was connected with the organization, and Mr. Karrick, who was connected with the organization, to come here; but since asking them to come it has occurred to me that it might be just as well not to grant them any immunity.

Mr. MCKEEVER. You need not grant me any immunity. I will sign any waiver of immunity you want signed.

Mr. KARRICK. I will sign any waiver of immunity, too.

Mr. BRINKMAN. Suppose we ask you gentlemen to sign waivers of immunity?

Mr. MCKEEVER. I am perfectly willing to sign it.

Mr. BRINKMAN. This is a form based on the form used by the Department of Justice in taking certain matters to the grand jury.

Senator KING. Pass it to the witnesses and let them sign it if they want to do so. You had better read it before you sign it.

Mr. MCKEEVER. I do not imagine Mr. Brinkman will put anything over on me [signing the paper].

Senator KING. For what purpose do you want to call this witness?

Mr. BRINKMAN. Has Mr. McKeever signed?

Senator KING. Yes; he has signed it.

Mr. BRINKMAN. Are the blanks in it filled out?

Mr. MCKEEVER. You have put in here that I "request that I be permitted" to appear. I did not request it.

Mr. BRINKMAN. We are asking you to appear voluntarily and not under subpœna.

Mr. MCKEEVER. I am not requesting to appear. I am willing to appear and answer any questions, but I am not going to request to appear.

Mr. BRINKMAN. The record will show you are appearing voluntarily and not under subpœna.

Mr. MCKEEVER. I am appearing here at the request of Mr. Brinkman, who telephoned my office this morning.

Mr. KARRICK. So am I.

Mr. McKeever. But not under subpœna.
Mr. Brinkman. No; not under subpœna.
Mr. McKeever. Not under official subpœna, but as a courtesy to this committee.
Senator Blaine. You do not regard yourself as appearing under compulsion or compulsory process?
Mr. McKeever. No.
Mr. Brinkman. I ask that Mr. McKeever may be sworn.

TESTIMONY OF ROBERT L. McKEEVER

(The witness was duly sworn by Senator Copeland.)
Mr. Brinkman. Will you state your name for the committee?
Mr. McKeever. Robert L. McKeever.
Mr. Brinkman. Are you in business here?
Mr. McKeever. Yes.
Senator Blaine. Let me ask a question for technical purposes. You are not appearing here under compulsion or by compulsory process issued by this committee?
Mr. McKeever. No, sir. I am appearing at the request of Mr. Brinkman.
Senator Blaine. And voluntarily?
Mr. McKeever. As a courtesy to the committee.
Senator Blaine. And voluntarily?
Mr. McKeever. Voluntarily?
Mr. Brinkman. Were you a member of the Washington Association of Building Owners and Managers, Washington, D. C.?
Mr. McKeever. Yes.
Mr. Brinkman. Were you an officer of that organization?
Mr. McKeever. At one time I was president.
Mr. Brinkman. In what year?
Mr. McKeever. I do not recall.
Mr. Brinkman. How long ago?
Mr. McKeever. It was at the time that we had the rent-law fight, when we appeared before the committee in this room, of which Senator Copeland was a member and Senator King was also a member. I have forgotten the year.
Senator Copeland. Was it 1924, Mr. Brinkman?
Mr. Brinkman. I am not sure, because I was not here at that time.
Mr. McKeever. I think it was.
Mr. Brinkman. Were you associated with the organization for sometime after that?
Mr. McKeever. I think I was a member of it until it went out of existence some two or three years after that.
Mr. Brinkman. Probably in 1926 or 1927?
Mr. McKeever. I think that would be a good guess.
Mr. Brinkman. Were you at the meetings from time to time?
Mr. McKeever. Occasionally.
Mr. Brinkman. Who was secretary of the organization?
Mr. McKeever. I think Mr. Karrick was secretary first, and then later on he was made president; and I think this Miss Meister, who testified here, was acting secretary.
Mr. Brinkman. Were records kept of those meetings?

Mr. McKeever. I think some sort of records, very indefinite ones. They were informal meetings. I do not know how good a record was kept.
Mr. Brinkman. Were any minutes made?
Mr. McKeever. I think originally we had minutes. Whether toward the end we had minutes I do not know.
Mr. Brinkman. Do you have those minutes?
Mr. McKeever. I do not have them.
Mr. Brinkman. Do you know who has them?
Mr. McKeever. No, I do not. They would have been passed on to succeeding presidents.
Mr. Brinkman. Who was the last president or secretary?
Mr. McKeever. I do not know who the last secretary was. I think Mr. Shea was the last president.
Mr. Brinkman. In any event you do not have the records and do not know where they are?
Mr. McKeever. I do not.
Senator King. The clerk of the committee has handed me a copy of the hearings of the rent committee of the District of Columbia and it appears at printed page 331 that Mr. McKeever then testified. That was January 23, 1925.
Mr. McKeever. That was a close date.
Senator King. He stated in his testimony that it was the purpose to show the committee that rental conditions in the District of Columbia were not dangerous to public health and welfare, and so forth, of the public officers and people of the District of Columbia. He then stated that he represented the Building Owners and Managers Association of Washington.
Mr. Brinkman. That is all I want to develop at this time. I want to find the records if we can. I do not want to ask anything about the organization because I think the records are the best evidence and would be better rather than to rely on his memory which has already proved faulty.
Mr. McKeever. I resent that.
Senator King. I do not think you should comment on that, Mr. Brinkman. My memory is faulty. I did not remember the date.
Mr. Brinkman. I was not here. But it is not fair to comment in that way.
Mr. McKeever. Two Senators are here now who were here at the time. I would like to make one statement for the benefit of the committee, that Mr. Brinkman's attitude when I first saw him was a very disagreeable and insulting attitude. I was perfectly willing to give the committee any information I had, but his attitude there was entirely different from what has been so nicely shown here this morning. Maybe that is the reason your committee is not getting the information it should have.
The Chairman. What about those records?
Mr. McKeever. I told Mr. Brinkman if he wished I would undertake to find them. I do not know where they are, but I will undertake to find them and try to find them if they are available.
Mr. Brinkman. As to my attitude, I can bring a witness who was present at my interview with Mr. McKeever, but I do not think the committee is interested.

Senator COPELAND. I am not interested in whether you were polite or impolite. I have seen some real-estate men before the committee who were not remarkably polite.

The CHAIRMAN. Is there anything further from Mr. McKeever?

Mr. BRINKMAN. No; not at this time.

(Witness excused.)

TESTIMONY OF DAVID B. KARRICK

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Will you state your name for the committee?

Mr. KARRICK. David B. Karrick.

Mr. BRINKMAN. What is your business?

Mr. KARRICK. I am president of the Fidelity Storage Co.

Mr. BRINKMAN. Do you own a number of apartment houses?

Mr. KARRICK. No. I manage some.

Senator BLAINE. Let me inquire, before we proceed further, Mr. Karrick. You are not appearing under compulsory process issued by the committee, but voluntarily?

Mr. KARRICK. At the request of Mr. Brinkman.

Mr. BRINKMAN. Without subpœna?

Mr. KARRICK. Without subpœna.

Mr. BRINKMAN. And you have signed a waiver of immunity?

Mr. KARRICK. Yes.

Mr. BRINKMAN. You say you manage a number of apartment houses?

Mr. KARRICK. Yes.

Mr. BRINKMAN. How many?

Mr. KARRICK. Five, unless you want to include a building that is a private house with three apartments in it, which would make six. They belong to the estate of my father, James L. Karrick.

Mr. BRINKMAN. You are the beneficiary of that estate or the heir of James L. Karrick?

Mr. KARRICK. My mother has a life interest in them and I have a remainder interest.

Mr. BRINKMAN. Are you connected with the Association of Building Owners and Managers?

Mr. KARRICK. Yes; I was.

Mr. BRINKMAN. In what capacity?

Mr. KARRICK. I was secretary of it?

Mr. BRINKMAN. For how long?

Mr. KARRICK. I do not remember how many years, but I think as long as it existed.

Mr. BRINKMAN. When did it go out of existence?

Mr. KARRICK. I do not remember the year, but we kept going actively as long as it had any funds, and had an executive secretary, Miss Meister. When we could no longer pay our secretary, we existed in a desultory sort of fashion as a member of the national association, and finally even lost our charter with it, or whatever it was called, because we could not keep up any formal organization whatever. We could not even get the members to pay the dues. The National Association of Building Owners and Managers publishes a well-known magazine, and we were one of the chapters, so

to speak, of that national association and were listed in the magazine publicly as a member of it. We lost our right as a member of the national association by reason of the fact that we could no longer keep up our dues and could no longer maintain any activities.

Mr. BRINKMAN. Did your organization keep minutes?

Mr. KARRICK. I do not think it kept minutes, but might have kept some. As you know, I made a search for the records and found a lot of them and turned them over to you.

Mr. BRINKMAN. The records you turned over to me were for the year 1923.

Mr. KARRICK. I did not even look at them. I found a lot of them and had them gathered up and bundled up and turned them over to you without going through them.

Mr. BRINKMAN. They were for the year 1923 and then there was a check book that ran up to 1927 or 1928.

Mr. KARRICK. That is due to this reason: We were no longer able to pay Miss Meister, but we continued to have very occasional meetings at irregular intervals, and we paid some clerk $5 a week for merely getting out the notices of the meetings, and no longer maintained any definite activities.

Mr. BRINKMAN. You have not looked at those records you turned over to me?

Mr. KARRICK. No. I found all I could find and wrapped them up for you and have not looked at them.

Mr. BRINKMAN. I will say for the information of the committee that I found the record of only one meeting. Were there any other minutes kept?

Mr. KARRICK. Very often not. Very often the meeting would consist of a lunch and a District Commissioner would come to the meeting and talk, and there would not be anything to keep a minute of. At many meetings there was no occasion for keeping the minutes because they were only lunches. We had invited Senator Copeland to come and he was unable to keep his engagement and we did not know of it until we met and found out he could not come. We were sorry to miss having him there. The lunch was fairly good, but we missed him.

Mr. BRINKMAN. Do you not know there was a minute book?

Mr. KARRICK. There was no minute book. I am quite convinced of that. There may have been some memoranda made of various things. The association was organized in conjunction with the national association and along the same lines as the national association. Efforts were to be made largely to save money in purchases and we were to exchange experiences. It was largely a matter of exchanging experiences among the membership. There is in the national association an apartment house branch, I believe.

Senator COPELAND. Are you speaking of the national association of which General MacChesney is counsel?

Mr. KARRICK. I do not know who their general counsel is, but I think it is someone. The Washington association was a chapter of the national association.

Mr. BRINKMAN. The organization had sent out a questionnaire asking the prices charged for various office space in various buildings?

Mr. KARRICK. It sent out a questionnaire asking for the amount of vacancy in office buildings. I do not know that it asked the price, but it may have done that, too.

Mr. BRINKMAN. It would appear in the record made at that meeting?

Mr. KARRICK. Yes, I suppose it would. I have no office buildings myself, so I am not personally interested.

Mr. BRINKMAN. I just want to see if we can find the minutes.

Senator BLAINE. Is that organization engaged in lobbying in and about Congress?

Mr. KARRICK. It was engaged in what you may call lobbying. We had Senator Gore represent us before this committee openly. That is the only lobbying I know anything about.

Senator BLAINE. Is that the national association that is engaged in lobbying?

Mr. KARRICK. I have lost all contact with it. I do not know anything about the national association.

The CHAIRMAN. Do you know anything about the minutes that are not available?

Mr. KARRICK. I do not. I can say that when the organization was active there were minutes, but when we became less active we had a clerk who received $5 a week for sending out the notices and perhaps keeping a record of the meetings. Those records were all available and they were all examined by the Department of Justice representatives in my office.

The CHAIRMAN. Then they disappeared after the Department of Justice examined them?

Mr. KARRICK. I do not like the word "disappeared." It sounds sinister. They were available then, and I thought everybody was through with them and I made no effort to take care of them.

Mr. BRINKMAN. The report of the Department of Justice representative is on file with the Department of Justice as it relates to your activities, or rather the activities of this association here in Washington. That same investigator said the investigation of the Washington Real Estate Board showed no evidence of violation of the law, but that the activities of your organization would bear watching.

Mr. KARRICK. He did not tell me that. I do not know what the report was.

Mr. BRINKMAN. His report is on file with the Department of Justice. That is why I have been anxious to get hold of the minutes.

Mr. KARRICK. I do not think there are any minutes.

The CHAIRMAN. There have been minutes, but they have been put away or destroyed?

Mr. KARRICK. I have made very diligent search through my office for everything available and found a check book and a large amount of correspondence. I just took the stuff and had it wrapped up and left word that any time Mr. Brinkman called he could have it, or anytime he subpœnaed it the committee could have it. I might say that the organization is defunct. It was defunct three or four years before it disbanded. I think it just died by suffocation or something.

Senator BLAINE. You are ressurecting it for appearance at the judgment day, should it be imminent?

Senator KING. I suggest that we call the next witness.

(Witness excused.)

TESTIMONY OF JAMES McD. SHEA

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Will you state your name for the committee?

Mr. SHEA. James McD. Shea.

Mr. BRINKMAN. Do you want to sign a waiver of immunity?

Mr. SHEA. I do not mind.

Mr. BRINKMAN. It is not compulsory.

Mr. SHEA. I do not care. I am willing to tell the committee anything they want to find out. If it is necessary, I will sign it.

Mr. BRINKMAN. Mr. Shea was subpœnaed. I think the committee ought to discharge the subpœna and release him from the subpœna, and then let him appear voluntarily if he wants to do so.

The CHAIRMAN. Do you want him to sign this waiver?

Mr. BRINKMAN. If he is willing to sign it of his own free will and accord.

Mr. SHEA. I have told you I am willing to sign it.

Mr. BRINKMAN. You understand the import of it?

Mr. SHEA. Why do you want me to sign it?

Mr. BRINKMAN. If the evidence you have given shows any violation of the law or leads to any evidence of violation of the law, you could be prosecuted. Are you willing to waive your immunity and testify so the testimony you give may be used against you in any proceeding for violation of the law?

Mr. SHEA. Yes. [Examining paper.] Who have I been "advised by"?

Mr. BRINKMAN. Arthur Capper, chairman of the committee.

(Mr. Shea signed the paper.)

Mr. BRINKMAN. You are now appearing voluntarily as a witness?

Mr. SHEA. I am under subpœna.

Mr. BRINKMAN. We have discharged the subpœna and you are free to go at any time without testifying. Do you desire to appear voluntarily?

Mr. SHEA. I do not desire. I am willing to do so.

Senator BLAINE. You do not regard yourself as testifying under any compulsion or a compulsory process?

Mr. SHEA. No, sir.

Senator BLAINE. But voluntarily?

Mr. SHEA. Yes, sir.

Senator BLAINE. That is sufficient.

Mr. BRINKMAN. You have heard the testimony of Mr. McKeever and Mr. Karrick, have you not?

Mr. SHEA. Yes, sir.

Mr. BRINKMAN. And of Miss Meister?

Mr. SHEA. Yes.

Mr. BRINKMAN. Were you an officer of the Association of Building Owners and Managers?

Mr. SHEA. I think I was president at one time, for some time.

Mr. BRINKMAN. Do you know when the organization was dissolved?

Mr. SHEA. It has been several years ago.

Mr. BRINKMAN. Was it in 1927 or 1928?

Mr. SHEA. I could not tell you the year, but four or five years ago.

Mr. BRINKMAN. Have you any records of the organization?

Mr. SHEA. I have none that I know of.

Mr. BRINKMAN. Do you know where any are?

Mr. SHEA. None that I know of.

Mr. BRINKMAN. Do you know whether there were any records or minutes of the organization?

Mr. SHEA. There were some records. I do not know what type of minutes were kept. Most of our meetings were luncheon meetings. I presume some record was kept, but I do not know. I do not recall.

Senator KING. Do you recall signing any minutes as president?

Mr. SHEA. I do not, Senator.

Senator KING. Was there the usual formality of boards of directors where they meet and where the minutes are kept, and the minutes of the preceding meeting read and approved?

Mr. SHEA. I do not think so. It was not that type of organization.

Senator KING. The lady who testified about this organization stated, as I recall, that she made some memoranda and then typed out the proceedings of the meetings. I do not recall whether she said they were signed by the president or any official. Do you recall?

Mr. SHEA. No, sir; I do not.

Senator KING. Do you recall that she did prepare minutes or type out the proceedings of some of the meetings?

Mr. SHEA. I do not. She was employed by us as assistant secretary and I presume she did the work of an assistant secretary. I do not recall now.

Mr. BRINKMAN. Do you remember a questionnaire being sent out asking members for office space data?

Mr. SHEA. No. The national association gets out a vacancy report each year of apartment houses and of office space, and as a part of that work we tried to get a vacancy report on both apartment houses and office space. I do not know why we would inquire about prices. I have no interest in office space at all.

Mr. BRINKHAM. You would not say positively you did not inquire?

Mr. SHEA. I do not think we did. I am not positive.

Mr. BRINKMAN. That is all I have to offer on that phase of the inquiry. I simply want to find these minutes if they can be found.

Senator KING. Very well; I suggest that you proceed with your next witness.

(Witness excused.)

Mr. BRINKMAN. At a previous meeting Senator Copeland and some other members of the committee expressed a desire to know upon what basis we could frame any legislation for relief, what ground there is in law for relief from the high rents in the District of Columbia. It seemed to me we ought to show the need, if there is any need, for any legislation that may be recommended to the Senate.

Therefore, with the permission of the chairman, I have asked to appear here Mr. Leroy Halbert, director of the emergency relief of the District of Columbia, to show what is the condition here and whether some people are unable to pay their rent and whether they find rents are too high and to give a general picture of conditions that may be brought to the attention of the Senate as a basis for any legislation the committee may recommend. I would like to say to the committee that Colonel Grant is here and has been here for some time to testify regarding alley conditions in the District. I do not know whether the committee wants to release Colonel Grant at this time or not. In any event, I will ask that Mr. Halbert be sworn at this time.

TESTIMONY OF LEROY HALBERT

(The witness was duly sworn by Senator Copeland.)

Senator KING. You may proceed with such statement as you care to make. I do not mean to indicate, Mr. Brinkman, that you should not examine the witness.

Mr. BRINKMAN. I do not want to ask any more questions than I should. I think I might introduce Mr. Halbert by asking what is his employment?

Mr. HALBERT. I am supervising the emergency relief division of the Board of Public Welfare.

Mr. BRINKMAN. Of the District of Columbia?

Mr. HALBERT. Yes.

Mr. BRINKMAN. An official organization?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. In that capacity you administer relief among poor people of the city?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. Will you state something of the nature of that work and the need for it and anything pertinent to the matter of rents that you may have in mind?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. I notice you have a large book before you. What is that?

Mr. HALBERT. Those are the records and standards we use in administration of the work.

Mr. BRINKMAN. Do you have the record of any rents paid by your organization?

Mr. HALBERT. I have a record of the amount of rents we have paid to landlords.

Mr. BRINKMAN. I think that would be interesting.

Senator KING. First may I ask how long you have lived in Washington?

Mr. HALBERT. I have lived here since September a year ago, 1931.

Senator KING. Were you brought here by employment in this organization?

Mr. HALBERT. No. I was hired before that by the American Association of Public Welfare Officials. That organization cooperated with and gave some assistance to the President's unemployment

relief organization. My work with that was traveling and helping to set up the public relief in different parts of the country.

Senator KING. Then your knowledge of conditions, rental and what not in the District of Columbia is of recent origin?

Mr. HALBERT. Yes. It just grew out of my experience in administering the relief fund since the first of August.

The CHAIRMAN. I think it would be interesting to know what amount of money your organization is expending for rents of people who are unable to pay their own rent.

Mr. HALBERT. It is a little hard to say, because so much rent is paid indirectly. We have paid about $13,000 directly to landlords in rents since we first began operations, but a good many people have been helped indirectly in the payment of their rents. We have spent $225,000 in relief and $150,000 of that has been paid in wages to people for work, and they in turn spend that as they please. They pay something of that for rent. The cases of rent we have are about 5,500; that is, we have about 5,500 families receiving some kind of assistance.

Senator COPELAND. How many families?

Mr. HALBERT. About 5,500 or 5,600.

Senator COPELAND. My attention was diverted for the moment. Will you state again what organization you represent?

Mr. HALBERT. We are administering the $350,000 fund for unemployment relief in the District of Columbia under the Board of Public Welfare.

Senator KING. Do you cooperate with Mr. Wilson's organization?

Mr. HALBERT. Yes; I am a subordinate of Mr. Wilson.

Senator KING. Then you have not attempted to supersede that organization?

Mr. HALBERT. Ours is a subdivision of that organization.

The CHAIRMAN. You are really a part of the District of Columbia official organization?

Mr. HALBERT. Yes, sir.

Senator KING. Do you cooperate with that organization which collects the community-chest fund and distributes it?

Mr. HALBERT. We cooperate with them. We are independent of them in an administrative way.

Senator KING. Is there any duplication of work by the two?

Mr. HALBERT. No; there is not.

Senator KING. Is there any duplication of contributions?

Mr. HALBERT. No. We have a clearance through our service exchange and do not duplicate each other's work in anything.

Senator COPELAND. Am I not right that you have to do merely with the funds which we created in connection with the appropriation for the District of Columbia? That is correct, is it not?

Mr. HALBERT. Yes, sir.

Senator COPELAND. You do not receive any private contributions to your fund?

Mr. HALBERT. Our fund deemed inadequate to last until Congress could consider the matter again, an appeal was made by the committee of the Board of Public Welfare that has charge of this matter for the community chest to see if they could help, and they agreed to advance $100,000 to help carry the relief load until such time as Congress could consider the matter further.

Senator KING. For my own information, because I gave some little attention to the community-chest organization some time ago, why may there not be a unified activity between Mr. Wilson's organization and the community-chest organization? Why should there be two organizations here furnishing relief?

Mr. HALBERT. There are five or six relief organizations which are members of the community chest. There are the Associated Charities, the Catholic Charities, the Salvation Army, the United Hebrew Charities, and others, all administering different relief funds. They have no consolidated form. The thing could be done if Congress saw fit to do it in that way. The tendency was to have a board of public welfare. The money could have been appropriated for these private agencies to administer, but they did not see fit to do it in that way.

Senator KING. The reason why I propound the question is that some, I will not say criticism, but some questions have been addressed to me by citizens here which indicated that they were under the impression that there is a great deal of duplication and waste effort, and that with these numerous organizations to which you have referred there were entirely too many employees and that a rather considerable sum was consumed in paying salaries of various persons engaged in the relief work of your organization and the various other organizations which have been mentioned. Do you know how many persons are engaged in these organizations and what salaries they are paid?

Mr. HALBERT. I do not know the number of employees or salaries in any of the private agencies. Of course I do know with reference to the one with which I am connected.

Senator COPELAND. It would be interesting to have the record show that the Subcommittee on Appropriations of the Senate having to do with appropriations for the District of Columbia had very extensive hearings on this matter last spring.

Senator KING. Yes, sir; I am aware of that.

Senator COPELAND. We had the officers of various private relief organizations there and discussion was had, questions were asked and answered, as to the number of employees, how much they received, and what percentage of the contributions actually had been put out for relief purposes.

Senator KING. Was not that rather limited to the community chest organization? I remember I made some comment at that time upon the cost of that organization.

Senator COPELAND. My recollection is that we had witnesses, even at a meeting one evening downstairs, with reference to that matter. My recollection is we had witnesses from all the various organizations. I know the impression I gained from it was that these organizations were very well operated and there was no particular complaint to be offered regarding them except perhaps the question of whether unification might not result in ultimate benefit.

Senator KING. Some statements have been made to me that certain individuals or some individuals would go to one organization and

get relief and then go to another and get further relief, and that there was not a proper system of checking.

Mr. HALBERT. I think that is not justified at all. I do not think there is any justification for that statement that has been made to you.

Senator COPELAND. I am sure the feeling of the Senate is that under Mr. Wilson's administration there is going to be very careful use of the funds and that so far as is humanly possible, there will be no duplication.

Senator KING. Proceed with your statement, Mr. Halbert.

Mr. HALBERT. You asked about the amount of rent paid. Out of the $225,000, I will say that $150,000 has been paid in wages and work relief so these people could pay their own rent.

The CHAIRMAN. How many families in the District of Columbia do you think are being assisted in the matter of rents at this time?

Mr. HALBERT. Directly and indirectly, public and private?

The CHAIRMAN. Yes.

Mr. HALBERT. I should say 9,000 to 10,000.

Senator COPELAND. Nine thousand or ten thousand families?

Mr. HALBERT. Yes, sir.

Senator COPELAND. How many families are there in the District?

Mr. HALBERT. Dividing the population of the District by four, we get somewhere near it. I would say 125,000 families.

Senator COPELAND. Then 8 per cent of the families of the District are being provided for?

Mr. HALBERT. Yes, sir.

Senator COPELAND. And receiving help?

Mr. HALBERT. Yes, sir.

The CHAIRMAN. Is the number increasing.

Mr. HALBERT. Yes, sir. We have new applications at the office of the Emergency Relief Division to the extent of 50 to 100 every day, except Saturdays, since we have opened.

The CHAIRMAN. You mean new applications?

Mr. HALBERT. Yes; and that is still going on to-day.

The CHAIRMAN. Are these families living in the District?

Mr. HALBERT. Yes, sir.

The CHAIRMAN. They are not newcomers here?

Mr. HALBERT. No. Of course, there are a few newcomers who apply, but we do not give relief to them.

The CHAIRMAN. You say the number is increasing now?

Mr. HALBERT. They are increasing in number. There are new applications coming in every day right along.

The CHAIRMAN. Is the situation growing worse here?

Mr. HALBERT. Yes. The number who have to be relieved is increasing. Right along we are taking on new families that we consider require relief.

The CHAIRMAN. Are you going to be able to take care of them this winter?

Mr. HALBERT. We are spending at the rate of a little over $25,000 a week now.

The CHAIRMAN. That is for general relief?

Mr. HALBERT. Yes; and the amount is increasing daily.

The CHAIRMAN. Including rents?

Mr. HALBERT. Yes; as explained. Most of them take care of their own rent. We have not paid anything directly to landlords for rent to speak of for several months.

Mr. BRINKMAN. Do a great many of them state that they are unable to pay their rent?

Mr. HALBERT. Yes. There is a constant appeal to us to do something to pay their rents and prevent their being evicted. A good many people come to us and show us papers for eviction from day to day right along.

Mr. BRINKMAN. Did you not have a package of papers which I believe you sent to Senator King's office, showing the amount of rent you have paid? I asked you to bring the original of that, but I think you overlooked it.

Mr. HALBERT. Yes. I sent a sheet showing the names of landlords and of the tenants for whom we have paid rents. It was quite a large number. A great many of them we have just relating to one tenant in an apartment. We have not been paying rent direct to landlords for some time. We have been trying to manipulate it so that the people would get what work we could afford to pay for and give them, and they have to deal directly with their landlords instead of us paying the landlords directly ourselves.

Senator COPELAND. I observe in a newspaper clipping I have here that you stated that one out of ten people in the city of Washington is out of a job.

Mr. HALBERT. That was an interpretation put upon something I did say that perhaps is not warranted. The estimate I gave was that there are 45,000 people out of employment.

Senator COPELAND. That in the District there are 45,000 people out of employment?

Mr. HALBERT. Yes, sir.

Senator COPELAND. Do you happen to know what the normal employment is in the District?

Mr. HALBERT. I looked up the census with regard to the number of gainfully employed people there are and I got this figure by taking the figures on the trend of employment as given by the Bureau of Labor Statistics. They said that the employment under the firms reporting to them was 59.9 of normal, so I assume that normally it would be 40 per cent above that.

Senator COPELAND. Is it your experience that the people have now used up their savings? Are you having greater difficulty on that account now? Is that the reason why you are getting more applications than before?

Mr. HALBERT. Yes, sir. For example, this may interest you. I made some study of how many of those people asking for relief were people who had been given relief before and were chronic cases. On October 22 the total number of applications received was 10,181. Of this number we cleared 8,901——

Senator COPELAND. What period did that cover?

Mr. HALBERT. On the 1st of August to the 22d of October. There were 1,277 cases which had been turned over to us by other agencies which were never cleared through the exchange, making a total of 10,181 that had had help before.

Senator COPELAND. You are speaking of families?

Mr. HALBERT. Yes, sir. We have had up to the present time 12,000 applications for relief. Something like a thousand of them have been single men, but the rest are families.

Senator COPELAND. You are not giving any relief to single men?

Mr. HALBERT. No, we are not giving them any relief, though they are residents of the District. The amount of relief we are giving per family is about $4.70 a week.

Senator COPELAND. You are not supplying food for those single men?

Mr. HALBERT. No; we are not.

Senator COPELAND. Are some of them in want for food?

Mr. HALBERT. I think so. They appeal to the missions and beg on the street and things of that kind, but our committee felt that they should take care of the families with children and women first, and they did not have enough to go around.

Senator COPELAND. What is the average size of the families of that 10,000 or 12,000 you are taking care of?

Mr. HALBERT. It averages about four. I made an actual compilation at one point in October, and found the number in each family we had would average about four.

Senator COPELAND. Do you mean to say that you expect a family to survive on $4.70 a week?

Mr. HALBERT. I have been surprised that they survive at all, but that is the average rate. That is not the uniform rate. We have some who get a great deal more than that and some who get less.

Senator COPELAND. How much more?

Mr. HALBERT. We have had in exceptional cases people who got as high as $40 or $50 a month.

Senator COPELAND. That is where there is a widow with a number of children?

Mr. HALBERT. Yes. We have exceptional families with as high as 12 children.

Senator COPELAND. Were you present at the hearings before the Appropriations Committee to which I referred and which were held last year?

Mr. HALBERT. Yes, sir.

Senator COPELAND. Do you remember that during those hearings we discussed the fact that there were families in the District where there were as high as 10 or 12 children?

Mr. HALBERT. Yes, sir.

Senator COPELAND. And that they ought to have a larger allowance?

Mr. HALBERT. Yes, sir.

Senator COPELAND. Is the allowance put on a per capita basis?

Mr. HALBERT. We make a budget of the expenditures of the family on a per capita basis and the actual rent they are paying, and we compare that with the standard budget. We take into account all the income they have from any other source. A member of the family may have two days' work and some other member of the family may have a little investment, and we take all that into account.

Senator COPELAND. You make careful inquiry to see if they have other income and if they are striving to find work?

Mr. HALBERT. Yes, sir.

Senator COPELAND. But in spite of that you have 10,000 or 12,000 families without any income except such as is provided in this way?

Mr. HALBERT. We have about 5,500 families that we are helping. There have been 10,000 or 12,000 who have applied for help. There were transferred cases from other agencies that we did not clear that were known to be original cases, so if we add the 1,277 transferred cases to the 3,410 cases that were identified as being helped by some other agency, we have a total of 4,887 of our cases that were known to some relief agency. The difference between that number and the 10,181 leaves a balance of 5,294 cases classified as "unidentified,"—that is, that were not known to any other social agency.

I think it is worth while to call attention to the fact that a considerable number of the 10,181 cases that were checked as cases that had received services from Instructive Visiting Nurses or some similar organization, had not received assistance from a relief-giving organization; so that probably nearly two-thirds of those people have never been on the relief-seeking records which have been kept by the social service exchange.

Senator COPELAND. What method of approach do you have? Do you have investigators go to the home?

Mr. HALBERT. Yes, sir. We receive applications at headquarters. We have them file applications in writing. If there is an emergency we put those in preference and send people to their houses to look up and identify their residences and find such facts as we can to base our relief upon, and we base our relief upon what we find.

Senator COPELAND. Is your relief limited in the form of money or do you supply groceries?

Mr. HALBERT. We give a considerable amount of groceries. We do as much as we can to send people to work and pay them the amount of the relief in wages. We have spent for groceries some $50,000.

Senator KING. Some of these 5,294 cases to which you refer obtain work and they are comprehended within the list of wages which you say you have paid?

Mr. HALBERT. Yes, sir.

Senator KING. So that in addition to giving direct money relief or indirect, you furnish employment to some?

Mr. HALBERT. Yes.

Senator KING. They get wages?

Mr. HALBERT. Yes.

Senator KING. Did I understand that this number of 5,294 refers to families?

Mr. HALBERT. Yes, sir.

Senator KING. Would you say that the average would be four in a family among that 5,294?

Mr. HALBERT. Yes, sir.

Senator KING. How many of them have you learned came into the District and how many are permanent residents of the District?

Mr. HALBERT. All those that are getting relief are permanent residents. We have had about 12,000 applications but we are not giving relief to half of those who have applied.

Senator COPELAND. How much of your money have you used?

Mr. HALBERT. We have used, up to the 19th of November, $241,795.

Senator COPELAND. Then you have about $100,000 left?
Mr. HALBERT. Yes, sir.
Senator KING. What is your overhead?
Mr. HALBERT. Congress limited it to 10 per cent. It has averaged about 8 per cent. That has been possible partly by reason of the fact that we have taken for clerical work and janitor work and things of that kind around headquarters, people who had to have relief anyway and who are getting those wages as relief.
The CHAIRMAN. What is your judgment as to the prevailing rent charges in the District of Columbia, as to whether they are too high, or are they reasonable as applied particularly to working people and those who are obliged to rent modest homes?
Mr. HALBERT. I would like to describe the kind of places the people pay rent for in connection with that. Unemployment and the depression tends to make people try to live as cheap as they can. As a result of that they rent maybe a barn or garage or even build a shack on some squatter's place and pay as low as $2 for the rent and have a shack that they build out of pieces of tin or something of that kind.
Senator COPELAND. Do you mean $2 a month?
Mr. HALBERT. Yes, sir. Some families live in cellars. Some places two or three families have gone into quarters intended for one, in order to try to save rent.
The CHAIRMAN. There is more of that going on now than ever before?
Mr. HALBERT. Oh yes, more than usual. From our experience the average rent where we were paying rents to landlords ran about $20 a month. That is a low amount of rent compared with the rent other people pay in better apartments, and so forth, because if you rent an apartment in a good apartment house you can hardly get anything less than $40. Some lady testified here today that she paid $47.50 for an apartment of one room.
The CHAIRMAN. Have you any information as to how these charges compare with charges in other cities that might be compared to Washington in population and other matters?
Mr. HALBERT. No I have not.
The CHAIRMAN. Is there any basis for complaints which are made to this committee from all over Washington, especially from workers, that rents are too high and that they have not come down as other factors of cost of living change in the city from year to year? We would like to have your judgment as to that complaint which has been frequently made to this committee.
Mr. HALBERT. I do not think that I ought to hazard an opinion without information to back it up. I would not have very good information about that matter. I could say in a general way that when I was in Kansas City in this kind of work there it was quite commonly understood that the usual rate they paid for rent ran about $15 or $16 per family. It would probably be $20 here, at least in our experience. But I have not made any extensive study, not enough to have more than merely that kind of an opinion.
The CHAIRMAN. That was two or three years ago?
Mr. HALBERT. Yes.

The CHAIRMAN. Of course everything entering into the cost of living has been downward in tendency in the last year or two, has it not?
Mr. HALBERT. Yes, sir.
Senator COPELAND. Is the Community Chest taking care of a larger number of families than are being cared for out of the public fund which you are administering?
Mr. HALBERT. No, I think not. By that I mean families that are on family relief, getting relief in their homes. I would not include in that those living with others, but the number receiving relief in their homes is not as great as those being cared for by the private agencies.
Senator COPELAND. I was told that the Community Chest is taking care of only 2,000 families. Is that more than you would have thought it would be?
Mr. HALBERT. I think we have some data on that. Here is an account of the Washington expenditures for relief from 1929 through 1930 and 1931 and the first nine months of 1932.
Senator KING. Is it segregated so that 1932 could be given separately?
Mr. HALBERT. It gives the amount of relief spent for the first nine months as $913,000. I thought it gave the number of families under care.
Senator COPELAND. I have before me an advertisement of the Community Chest stating that there are more than 4,000 families dependent on their relief agencies, more than 22,000 of our fellow citizens are to-day registered as unemployed.
Mr. HALBERT. The 4,000 families is what I would judge to be about the right figure that they are taking care of.
Senator KING. Then there is the Salvation Army and the Hebrew Relief Organization?
Mr. HALBERT. No, they are a part of the Community Chest?
Senator COPELAND. What do you do about the poor little kids that have no clothes to wear to go to school?
Mr. HALBERT. My opinion is that many children are staying at home for lack of clothes in Washington now. We have not spent very much directly for clothing. We are using clothing which the Red Cross furnishes out of the cotton furnished by the Government. We have considerable clothes furnished in that way. We are particularly bad off for shoes.
Senator COPELAND. Does the District seem to be a very inviting place for those hunger marchers to visit, with 20 to 25 per cent of our own people here without employment and in need of charity? What are we going to do when we get several thousand marchers here?
Mr. HALBERT. I do not know. That is really out of my line.
Senator COPELAND. I think the press should make it very clear to the public that this is no place for hunger marchers to come. If there is to be anything accomplished by such a march, all right, but a "petition in boots" is not much more effective with the Congress than any other kind of petition. Here is a community which has not access to bonds and borrowing. It must depend upon what the Federal Government gives it. To my mind it is very important that

the country should be told that there is nothing here for those poor people. I do not blame them for wanting to leave my State or any other State, but certainly they are not going to be any better off by coming to Washington. Do you agree with that?

Mr. HALBERT. Yes. We could not give them any relief out of the funds raised for the relief of citizens of the District without making the people already here suffer in a greatly increased way.

Perhaps it would interest the committee to have a bit of information in regard to how relief in Washington compares with other cities. The relief in Washington is very much lower than it is in other cities. Washington is not an industrial city. In spite of the condition about which I have told you, I am giving this to show you we are not a bit extravagant in the rate of relief expenditure. The figures collected by the Children's Bureau from January to September, the first nine months of 1932, figuring the population of the District and then the per capita of relief given in proportion to the population, shows that the highest in any city is in Buffalo, N. Y., where it is $13.65 per capita; in Rochester, N. Y., $10.90; in Wilkesbarre, Pa., $10; and so forth on down through a list of 30 cities. Third from the bottom is Washington at $1.91 per capita of relief as compared with Buffalo, N. Y., at $13.65 at the top of the list. Buffalo is the highest. The lowest is Omaha, Nebr., $1.36; next above that is Louisville, Ky., $1.39; then comes Washington with $1.91.

Mr. BRINKMAN. I have here a statement signed by Eleanor Patterson, editor of the Washington Herald, taken from the Washington Herald of October 23, 1932, to the effect that the amount paid per month per family in the District of Columbia for food is $3.65. Is that correct?

Mr. HALBERT. Of course our relief is larger than it was for a while. Before we got this additional money from the Community Chest probably that was about right. It is hard to say for food, because we were giving them an allowance and it is not specified that they shall spend it for food but they are allowed to spend it for whatever they want to.

Senator COPELAND. Do you view with great apprehension this coming winter?

Mr. HALBERT. Yes, sir; I do. In fact, not only this coming winter, but I think the conditions of suffering in Washington are very deplorable right now.

Senator COPELAND. What you mean to say is that there are actually people in Washington who are receiving less food than they need to meet their bare necessities?

Mr. HALBERT. Yes, sir; I verily do believe that.

Senator COPELAND. There are actually hungry people in Washington? They may not be starving or dying, but there are hungry people?

Mr. HALBERT. Before we got this additional help from the Community Chest and expanded our relief a little, we had samples collected from our experience of our workers on that point. One worker told me he saw a man picking garbage from a garbage can and followed him and saw him take it to his home and then saw him give it to his family. I asked workers if any of them knew anything of that kind. Another one said he had seen the same thing and a

considerable number of them told me they had been told by other families that they were doing that. A man came in and told me that he had had relief that was supposed to last a certain length of time, and that it did not last the time he said, and that for three days, October 27, 28, and 29, all the food they had was some bread and some gravy made of the flour given in the form of relief as Government flour handed out to the Red Cross. There was a considerable number of cases like that which I could cite.

Senator KING. Who are the thousands and tens of thousands that visit the movies every night and crowd these large movie theaters and have these automobiles along every street so that one can scarcely drive through some of the streets? Who are they?

Mr. HALBERT. I would say that three-quarters of the people are employed and they are the ones spending the money. It is not the unemployed.

Senator COPELAND. Are there not thousands of people there who go there where they could be warm and comfortable when they could not be so in their homes?

Mr. HALBERT. I think that would tend to strengthen the statement that there is a great need here, but I do not believe any of the families we have could dig up 30 or 40 cents to get in to the picture shows.

Senator KING. What proportion of those that are getting relief are colored?

Mr. HALBERT. About four-fifths from the public fund. I think that is a little more than the average from all agencies. I think the other agencies have a tendency to turn over colored families to us rather than to turn over the white families.

Senator KING. Is there a separate agency looking after the colored people?

Mr. HALBERT. No; they are all cared for as a part of the regular course in the agencies. There is no special agency for colored people. They fare without discrimination in our organization.

Senator COPELAND. What is the mental attitude of the persons with whom you come in contact?

Mr. HALBERT. It varies a great deal. There is a great deal of discouragement among them. They are awfully discouraged.

Senator COPELAND. Is there any threat of force?

Mr. HALBERT. We have very little of that. We have some people that get cantankerous, but the percentage is small.

Senator COPELAND. Most of them are just utterly discouraged?

Mr. HALBERT. Yes. They sit down and weep in our office. One woman was so exhausted she fainted right at the desk while trying to tell her story.

Senator COPELAND. Hungry?

Mr. HALBERT. Yes, hungry.

Senator KING. What kind of employment have you been able to ascertain that these people out of employment had had before the present deplorable situation?

Mr. HALBERT. We ask that and keep a record of it, but I have not a statistical analysis so I could not say; but as a matter of general observation they represent all types.

Senator COPELAND. Household servants in large numbers?

Mr. HALBERT. Yes; a considerable number of them, and a great many common laborers, waiters, and all kinds of labor. We have all kinds. I do not know if we have any Senators, but we have ministers, lawyers, and all kinds of professional people.

Senator KING. Would you say a majority of those receiving aid are manual laborers, or do they belong to what is called the white-collar class?

Mr. HALBERT. I think the great majority of them are manual laborers. We have some very deplorable cases among the white and colored people as well, but the percentage is not very great. The mental anguish they undergo before they would come keeps a lot of them away.

Senator KING. Do you find any considerable number of those receiving help are returning to homes from which they came before they became residents of the District?

Mr. HALBERT. Not very many. The fact is that they generally find that conditions are worse at home where they came from than in Washington.

Senator COPELAND. I take it that you are not taking care of transients?

Mr. HALBERT. No, sir.

Senator COPELAND. The people you are caring for are really residents of the District?

Mr. HALBERT. Yes, sir.

Senator COPELAND. This is their home?

Mr. HALBERT. Yes, sir.

Senator KING. As I understand it, they must have lived here a year before you will grant them any relief?

Mr. HALBERT. Yes, sir.

Senator KING. What about those who have lived here more than a year, probably five or six years we will say, but who claim residence in some other State and intend ultimately to return to their home State?

Mr. HALBERT. There may be a few that claim they have been here more than a year. We have found a few and identified them who have told us that they had lived here more than a year, but we found on investigation they had not been here a year and they were cut off. With the numbers we have had it has been impossible to go into their history with a great deal of care, of course.

Senator COPELAND. Have you had occasion to look around to see if you could find some houses where the rents are cheap or to help these people into decent places of living, or are there no such places?

Mr. HALBERT. Not within the price that we can pay. We have a good deal of trouble to find houses. In general we have a rule that clients are not to take any place costing over $25 per month.

Senator KING. Per house or per room?

Mr. HALBERT. Per house.

Senator COPELAND. Are there such houses available?

Mr. HALBERT. Yes, sir, there are; but the housing conditions under which they are living are something terrible. We had a family of nine that have been living in a cellar. They had one temporary partition that they put up in there themselves. That was the only division in it. We have a good many families of five or six living

in one room, eating and cooking and sleeping and washing and everything in one room.

Senator COPELAND. Are there plenty of houses here at $25 a month that are more decent than the ones you have just described?

Mr. HALBERT. Oh, no.

Senator COPELAND. There is a lack of such houses?

Mr. HALBERT. Yes.

Senator KING. Do you find there are many houses owned by private individuals, the owners of which occupy a portion of the space, but have rooms to rent that are not rented?

Mr. HALBERT. Yes. We have had a number of people come to us who say that they formerly made their living by renting out rooms but they are not able to do so now. We have some people whose landlords are about as bad off as others, but not on the average. We have a number of places where a widow will have one or two houses that are her living, and she says, "If the tenants in there do not pay their rent and if you do not help them pay their rent, I will have to be one of your clients also."

Senator COPELAND. Are you able to do much in aiding the unemployed to secure work?

Mr. HALBERT. We do not try to do that. We consider that would be overlapping the employment bureau. They have hundreds of people sitting around there every day, and they have been registered with them two or three months, and they have had no work in all that time.

Senator COPELAND. Have you observed any progress being made in the city in the way of relief of unemployment?

Mr. HALBERT. Giving more jobs?

Senator COPELAND. Yes.

Mr. HALBERT. There is no increase that the labor bureau says they can see in openings to which they can send people over what they have been in the past.

Senator COPELAND. Have you had any applicants for aid from persons living in alleys?

Mr. HALBERT. Yes, sir.

Senator COPELAND. A good many?

Mr. HALBERT. Yes, sir.

Senator COPELAND. Are those people outside of the alleys living under worse conditions than those in the alleys?

Mr. HALBERT. I really have not made any study of that. I should say some of them were and some were not. There are some terrible conditions outside of the alleys and some in the alleys, too. I have some pictures taken of a few examples of bad housing conditions and have some descriptions of what family lives there and the conditions. These pictures were not taken by us, but by the committee representatives, but I told them places where they might go. It is hard to show conditions in a picture. You can not show dirt and you can not photograph a smell. You can only show one point at a time, but there is a description accompanying each of the pictures.

Senator COPELAND. You have testified that in your opinion conditions are growing worse?

Mr. HALBERT. Yes. I do not know that they are growing worse in the sense of getting less employment, but the people have used up resources more and more, and some of them have come to the end

of their resources and are in the position of having to have charity. The winter weather has sent more to us. I have here some pages of pathetic stories of evictions, and so forth, that might interest you.

Senator COPELAND. Evicted because they were not able to pay their rent?

Mr. HALBERT. Yes; and involving the breaking up of families. We have had to send the father to the municipal lodging house, the mother to some available place, and the children to some home, and things of that sort, breaking up families in that way.

Senator COPELAND. Is the number of evictions increasing?

Mr. HALBERT. I do not know. I have not any statistics on that.

Mr. BRINKMAN. I have the statistics on that matter.

Senator COPELAND. Is that [indicating] a fair picture showing a kitchen stove in the corner of the room, with the plaster off the walls?

Mr. HALBERT. Of course it is a perfectly honest picture of that particular case. I would not say the majority of houses we have are like that, but we could probably find several hundred houses of which that would be typical.

Senator COPELAND. Within rifle shot of the Capitol of the United States?

Mr. HALBERT. Oh, I should think so.

Senator COPELAND. Senator Capper, they do not have anything like that on the farms of Kansas? At least they can eat out there and sleep in the barn, if need be, under the hay.

The CHAIRMAN. Oh, they can not pay their taxes and interest, and they are to be thrown out of their homes before long. Hundreds of them have been thrown out already.

Senator KING. More than a million farms have been foreclosed.

The CHAIRMAN. In one county in Kansas 100 farms were foreclosed since the first of this year.

Mr. HALBERT. We have a good many pathetic stories of people having homes who have lost them and are losing them because they could not pay the interest and taxes and keep up the payments.

Senator COPELAND. You have had no occasion to investigate the effect of these conditions upon the health of the people?

Mr. HALBERT. No; it is as much as we can do to get around and visit the families and see whether relief is justified. Sometimes we have had as high as 3,500 waiting to be visited for a week or longer before we could get to them.

Senator KING. Have any of those who have been beneficiaries of contributions from organizations to pay rent been evicted for nonpayment of rent?

Mr. HALBERT. Yes, sir.

Senator KING. Have any of them lost their homes through foreclosure?

Mr. HALBERT. Yes, sir.

Senator KING. As I understand, you have given relief to some who have lost their homes through foreclosure?

Mr. HALBERT. Yes, sir.

Senator KING. And do you assist others who because of nonpayment of rent have been evicted?

Mr. HALBERT. Yes, sir.

Senator KING. Are there any considerable number of people who are beneficiaries of your charity who have been the victims of eviction proceedings?

Mr. HALBERT. I could not give the percentage, but it is daily increasing, and especially when we first opened they were coming on faster than we could take care of them.

Senator KING. Are the evictions going on now?

Mr. HALBERT. Yes, sir.

Senator KING. For nonpayment of rent?

Mr. HALBERT. Yes, sir.

Senator KING. Do they go out voluntarily or are they evicted by the officers of the law under judicial process?

Mr. HALBERT. Both. Some are set out in the streets, and some of them get out after they know they have a certain limit set. Of course we try to help them get located without actually being left in the street. It is a very humiliating thing to be set out in the street.

Senator COPELAND. I have here what appears to be a report of rent conditions from your board of public welfare. Have you put this in the record?

Mr. HALBERT. No; I just handed it to you this moment.

Senator COPELAND. I think it should be in the record. Here is a list of evictions and the conditions associated with each case. This is dated November 30.

Mr. HALBERT. I just brought it with me.

Senator COPELAND. I suggest that it be put in the record.

The CHAIRMAN. That may be done.

Mr. HALBERT. They are striking stories of actual cases, without the names of families. I can give the name and address in each and every case.

(The statement referred to is as follows:)

DIVISION OF EMERGENCY RELIEF, BOARD OF PUBLIC WELFARE

RENT CONDITIONS

WASHINGTON, D. C., *November 30, 1932.*

Case No. 1, district 2–G: 723 4th Street NW.—Family evicted October 17, 1932. Man slept in house from where he was evicted until landlord put padlock on door.

Wife slept with friends; child went with wife's mother. (One child 10 years old.)

On October 20, 1932, worker made following plan for them: Wife and child to stay with wife's mother; man to stay at municipal lodging house.

Case No. 2, district 7 B.—The A family is composed of a man, wife and 11 children. The man is a laborer by trade and was employed until about six weeks ago, when the company for which he was working closed down the building office.

The family has been helped by the emergency relief division, through work relief given to the man, but because of the size of his family, Mr. A was unable to pay any rent with the money he

received. Man was three months in arrears with rent and the family was evicted.

When the worker called at the home he found all of the family's household effects piled on the street. A neighbor had taken the family into his house. Worker asked woman about her husband's sister who, with her husband occupy the janitor's quarters of a large apartment house, in regard to having family moved in with them, but woman said she hardly thought this could be done on account of scarcity of space. Worker called to see M's sister and was told that she could not even take any of the furniture because the manager was very particular about who came in and out of the apartment.

Worker then went back to the house and asked one of the neighbors if she could let the family live with her until the emergency relief division could obtain living quarters for them. Woman said she could not keep the entire family but thought that her sister, who lived around the corner, would let some of the children stay with her. This arrangement was made and worker told woman that he would continue giving the man work to provide food for the family, and would let her know when arrangements for the housing of her family had been completed.

Case No. 3, district 3–A.—Evicted recently. This family consists of parents and three children of tender age. They managed to move in with a friend who has a davenport which is used by the children. The man and wife said that their friends fix some pallets on the floor for them to sleep upon. This is, of course, a temporary arrangement and very inconvenient.

Case No. 4, district 3–A.—Another family consists of man and wife who were evicted and are now sharing a 2-room apartment with another client of ours. Since the person whom they moved in with is not paying rent, it is a matter of conjecture as to how long this family may be able to remain.

Case No. 5, district 6.—Unemployed man had to move his family to his sisters' house because he had no money to pay the rent and had no food. Man's two married sisters and their two children lived in a 5-room house (three families). Man has wife and two small children. There is not enough room for all to sleep, so one of the sisters has to go out and sleep wherever she can find room among friends.

Because of the man's dependency upon the sister for support, using all her money, the bills went unpaid. Consequently, the gas was turned off and most of the furniture was taken.

Man now in Gallinger Hospital (October 27, when this case was originally written up), with complete nervous breakdown, which wife says has been coming on since loss of employment seven months ago.

Man's sister (according to the woman who employs her) has been coming to work dead tired, on account of having slept around wherever she could. She stated to her employer that woman expects another baby soon and that she will have to be definitely placed, for the two children will be left alone in the house when the woman goes to the hospital. Man has been trying to get work and has only received periodical help, and she and her sister have lost everything they have trying to care for them.

Appears to be an Associated Charities' case now that man has been hospitalized.

Case No. 6, district 2–F.—Family consists of man, wife, and one child; another expected shortly. They were evicted October 25 and furniture was loaded onto truck of father-in-law. Family is now living with relatives.

Case No. 7, district 2–F.—Mrs. B was evicted on October 21, 1932. Woman came to headquarters on October 22, 1932, and visit was made to the address she gave. Interview developed that in May, 1932, she and her husband had been evicted from a house on Twenty-seventh Street and she was now staying with a friend. Household effects that she had been unable to take with her were stored in a garage. These goods were evicted from the garage on October 19, 1932, because of occupants of the garage moving away, and owner put woman's belongings in the alley.

The appearance of the belongings was very much like the articles that may be seen upon the public dump. The woman said a trunk containing linen and clothing had been stolen, also brass bedstead, mattress, and chairs.

On October 24, 1932, woman again called at the emergency relief division requesting that place be found as a home for her husband and herself. Her husband now has a job, earning about 75 cents per ton storing away coal. The woman takes in washing and earns about $2 per week. She was advised to continue residence with her friend for the present. No relief was given.

Case No. 8, district 1.—The case worker in this district reports that she has had six evictions. In two cases the Catholic charities agreed to pay the rent if the emergency relief division carried the families in food. In the other four cases the case worker moved two families into one 4-room Government house and two families into another.

This worker also states that she will have three evictions next week; in one case a family of 10, with 8 children. In the other instance three children, one a 2-weeks' old baby. All the Government houses even have been spoken for. There is no place they can go.

Case No. 9, district 7–C.—The P family is composed of man, wife, and one child, 9 years old. Until about six months ago, the family was self-supporting. The man is a laborer and always managed to have work and provide for his family. Now both man and wife are unable to find employment of any kind.

A few days ago the man came to the office of the emergency relief division and stated that they had been evicted and had no place to go. The worker learned that this family had been living in one room in a house rented by some friends of theirs. These friends, out of kindness, had allowed the P family to stay in the room, although no rent was received.

The family renting the house were unable to pay their rent and they, too, were evicted. They were able to "bunk in" with friends and relatives, but there was no place for the P family who had been staying with them.

Upon being asked where they had spent the night, the man stated that he, his wife, and their child had sat around the Union Station until around 1 or 2 a. m., at which time they were forced to leave there. The family then climbed into the back seat of a parked automobile and spent the remainder of the night.

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The following night a friend who has a small eating place, allowed the family to sit all night in chairs in his place of business.

A room in the house of this friend (who allowed family to spend night in his place of business) was vacated, and the man allowed the P family to move in there, rent free, in return for the woman's services as a waitress three nights per week in the lunch room. The man was given work relief by the emergency relief division to enable him to provide food.

Case No. 10, district 5–B.—There are 10 children in the J family, from 2 to 16, 3 are in high school. The father has been buying the home for nearly nine years, the payments being $25 per month; due to unemployment he has been unable to keep up the payments.

The first writ of restitution was served September 14; another was served October 18. We persuaded the agent to delay the eviction a few days until we could place the family in one of the Government buildings.

This is a splendid type of colored family and despite the large number of children they never appealed for aid of any kind until March, 1932.

This family has always taken great pride in their home. They had flowers about and vines trained over the porch. The suffering at leaving their home is very great and yet there is not a word of complaint because the emergency relief division is not able to give them enough money to tide them over. In fact, their gratitude for what has been done for them is touching and it is distressing to think that we are so limited that cases like this are being multiplied daily.

Case 11, district 5–B.—This is an older colored woman and an adopted boy. She was evicted early in October, her furniture was soaked by being left on the truck. She went from place to place being unable to get lodging because the people wanted their pay in advance. Finally one woman was willing to accept her.

Case No. 12, district 9.—This family consists of six persons. They were evicted. Mother with kidney trouble; boy, 14 years old, arrested T. B.; girl, 13, with eneuresis; girl, 11 year, ill at times with a cold; girl, 9 years, thin and anemic and was examined recently at Providence clinic and referred to the tubercular clinic for further examinations.

Man paid half a week's rent to move family into one furnished room with a kitchenette. The landlady objects to mother washing children's clothes.

The tubercular clinic told mother that her son should sleep in a room by himself. There are six persons sleeping in one room with two windows and mother stated son coughs continuously.

The two younger children are not at school as the distance is too great for them to go to their former school and the family can not remain in their present home. Family about to be evicted for second time if they can not raise rent.

Mr. BRINKMAN. Mr. Halbert, are you acquainted with Sidney F. Taliaferro?

Mr. HALBERT. Very well.

Mr. BRINKMAN. Is he chairman of your committee?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. Is he connected with one of the banks here?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. With the Riggs National Bank?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. He was formerly a District Commissioner?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. Do you know whether he made this statement appearing in the News of October 13, 1932:

> During the next six months will be in Washington cases of destitute, homeless families, and the committee believes there may actually be deaths by starvation.

Mr. HALBERT. Yes, sir; that was stated in an official report drafted oy Mr. Taliaferro. It was discussed at length, and he felt justified in saying that.

Mr. BRINKMAN. Have you discussed with Colonel Grant the matter of providing housing for some of these cases?

Mr. HALBERT. Yes, sir. He turned over a few Government houses not now occupied, that were taken over for the purpose of getting land for improvements for Government structures. We have some of them and are trying to get some more.

Mr. BRINKMAN. Because people could not pay rent?

Mr. HALBERT. Yes, sir.

Mr. BRINKMAN. Are you familiar with the conditions during the recent cold weather down at the Central Union Mission?

Mr. HALBERT. No; I am not.

Mr. BRINKMAN. The Washington Post of November 28, 1932, reported that

> At 10.30 o'clock last night officials of the mission, which has a bedding capacity of 200, were in a quandary as to what to do with the steady flow of destitute men who entered its portals. They could not be turned back into the cold night, so they did the best thing possible and placed the shivering unemployed on the hard bare floor with such covering as could be garnered from the storerooms. The floor may have been hard, but it was warm and they had a roof over their heads.

Do you find men who have no shelter who must be taken care of?

Mr. HALBERT. Yes, sir. They feel very much that we ought not to turn them away, and I feel a good deal that way myself, ashamed to have to turn them away because they really have no place to go, and some of them ought not to be compelled to go to missions. A man who has held a dignified place in the community, a professional man, for instance, who has always lived independently, should have a room. If he is compelled to live in a dormitory in the Salvation Army, his little belongings disappear. He has no place for them. It is a drastic thing to make such men go to those places.

The CHAIRMAN. In large part they are transients such as we have been discussing?

Mr. HALBERT. There are hundreds, and I should say probably several thousand, single men who are residents of the District that nobody is doing anything for unless they go to a mission.

Mr. BRINKMAN. You have found numerous cases where people are unable to pay rent and are evicted?

Mr. HALBERT. Yes. That is happening all the time and would happen a great deal more; if the people whose rent is behind were

all evicted, I expect three-quarters of all the people we have would be evicted if they were evicted whenever they were behind with their rent. They would be put out in the street in such cases.

Mr. BRINKMAN. I would like to introduce for the record at this point two letters from Hon. George C. Aukam, presiding judge of the Municipal Court of the District of Columbia, showing that so far this year 33,894 landlord and tenant cases were filed up to the close of business on October 12; that between October 13 and November 21, both inclusive, 4,571 additional landlord and tenant cases were filed, making a total of 38,465 landlord and tenant cases filed so far this year up to the 21st of November.

Senator KING. For eviction?

Mr. BRINKMAN. With the ultimate purpose of evicting them. Estimating for the balance of the year at the same rate, this will show an increase of about 33 per cent over 1929.

Then I would also like to have appear in the record two letters from Mr. E. C. Snyder, United States Marshal for the District of Columbia, showing that up to November 21, 1932, there were 8,555 writs of restitution that had been issued to put people out in the street for not paying their rent this year. On the same basis, that represents an increase of about 50 per cent or one-half more than in the year 1930. There were writs of restitution including people actually put out of their homes so far this year by force. Assuming the balance of the year at the same rate, this represents an increase of 50 per cent over 1930.

Senator COPELAND. What in heaven's name will be done with those people?

Mr. BRINKMAN. Mr. Halbert tries to take care of them.

Mr. HALBERT. I would like to call attention to one thing I consider an abuse. There are some landlords who issue an eviction notice every month to keep people scared. Some of them have been paying their rent along for a year who have had an eviction notice every month, and the cost of that is charged up to them on top of their rents because the landlords think that is a good way to keep them keyed up to pay their rents.

Senator KING. The notice of eviction is served, but there is a delinquency?

Mr. HALBERT. Yes, sir; when they are not a month's rent behind.

Senator COPELAND. I think it a poor kind of a court that would permit that.

Senator KING. The landlord who does that is seeking to intimidate those people. That is a most reprehensible thing.

Mr. HALBERT. There are a few of that kind.

The CHAIRMAN. I think you had better give us the names of those landlords.

Mr. HALBERT. I can secure the names for you. I have not any of them with me.

Senator KING. Perhaps this matter does not get before the court. The landlord serves the notice and it is served upon the tenant before there is really a delinquency or before the period has expired called for by the notice, and the tenant pays the rent before the expiration of that period, so it never goes into court, but it is a sort of method of terrorization which I think is most reprehensible.

The CHAIRMAN. The four letters referred to by Mr. Brinkman had better be inserted in the record.

(The letters referred to are as follows:)

MUNICIPAL COURT, DISTRICT OF COLUMBIA,
October 13, 1932.

O. H. BRINKMAN, ESQ.,
Attorney at Law,
Care of Hon. Arthur Capper,
United States Senate.

MY DEAR MR. BRINKMAN: Replying to the inquiry made in your letter of October 12, beg to state that the records of this court disclose that in the year 1929, 32,342 landlord and tenant cases were filed, and in 1930; 34,188, in 1931; 37,101; in 1932 to the close of business October 12, 38,894, making a total of 137,525 landlord and tenant cases filed in this court from January, 1929, to the close of business yesterday.

Very truly yours,

GEORGE C. AUKAM.

MUNICIPAL COURT, DISTRICT OF COLUMBIA,
November 22, 1932.

O. H. BRINKMAN, Esq.,
Washington, D. C.

DEAR MR. BRINKMAN: Replying to yours of the 21st instant, beg to state that there appears to have been filed between October 13 and November 21, both inclusive, 4,571 landlord and tenant cases.

Very truly yours,

GEORGE C. AUKAM.

DEPARTMENT OF JUSTICE,
Washington, D. C., September 12, 1932.

Mr. O. H. BRINKMAN,
Washington, D. C.

DEAR SIR: In response to your request as to the number of writs of restitution issued and executed during the years 1930, 1931, and the first eight months of 1932, our records show as follows:

Restitutions issued:	
1930	6,163
1931	7,194
1932, 8 months	6,317
Restitutions executed:	
1930	787
1931	922
1932, 8 months	875

Respectfully yours,

E. C. SNYDER,
United States Marshal.

DEPARTMENT OF JUSTICE,
Washington, D. C., November 22, 1932.

O. H. BRINKMAN, Esq.,
Counsel for Subcommittee, Washington, D. C.

DEAR SIR: Herewith is the information requested by you in your letter of the 21st of November, viz:

Restitutions issued from September 1 to and including November 21, 1932, 2238.

Restitutions executed from September 1 to and including Nov. 21, 1932, 192.

Respectfully,

E. C. SNYDER, *United States Marshal.*

Senator COPELAND. Mr. Chairman, Colonel Grant has been an attentive listener all morning. Let us hear him.

The CHAIRMAN. We shall be very glad to hear Colonel Grant.

Mr. BRINKMAN. Right on the point which we have been discussing, before we call Colonel Grant, I have records of the Washington Real Estate Board, in the minutes of which on September 9, 1932, of the executive committee, it is shown that there were present Messrs. Bowie, Beall, Flather, and Canby. I read the following from the minutes of that meeting:

> The president stated that a great many members had informed him that it seems to be the practice of two judges of the municipal court to grant judgments in ceases of nonpayment of rent with a stay of execution varying from 3 days to 15 days. Judges Cobb and Mattingly being the most lenient.
>
> The president was instructed to discuss the matter with Roger J. Whiteford, attorney for the board, with a view to having Mr. Whiteford talk informally with the judges of the municipal court.

Senator KING. I think the judges of the municipal court ought to punish Mr. Whiteford for contempt if he did that.

Mr. BRINKMAN. Those were the instructions of the board.

Senator KING. I think that is a highly improper proceeding on the part of the board.

Mr. BRINKMAN. The real estate board asked their attorney to see the judges about it.

STATEMENT OF LIEUT. COL. U. S. GRANT, 3D

The CHAIRMAN. Colonel Grant, we shall be very glad to hear what you may have to say.

Colonel GRANT. I have nothing to say personally except that the planning commission has had some studies going on for about three years on the housing question in Washington, approaching the subject from the standpoint of the best utilization of each part of the city and the general housing situation. To carry on these studies the commission has had the help of Mr. John Ihlder, who was for a long time in charge of the domestic economics bureau of the United States Chamber of Commerce and has since gone to be director of the Boston and Pittsburgh Housing Association. I would like whatever time you have to be given to him.

Senator COPELAND. I want to say for myself that I am appreciative of your coming. We went over this very thoroughly some time ago in the committee. I think the plans were very excellent. It will take more time than we have this morning, Mr. Chairman, to hear Mr. Ihlder, but we ought to hear him.

The CHAIRMAN. He could come at a later time, I presume.

Colonel GRANT. He does not live here. He is working in Boston and Pittsburgh most of the time. He has only come to help direct the investigation. I think the committee might also be interested if you would like me to submit from the records of the Public Buildings Commission a study of the rents paid by the Government and changes in rents paid by the Government. Perhaps I can get from the Federal Real Estate Board a relative average rent here and elsewhere.

Mr. BRINKMAN. We have those statistics already.

The CHAIRMAN. What is the Federal Real Estate Board?

Colonel GRANT. It is merely a cooperative board established of Government officials in the Chief Coordinator's office who have to do with the passing on rents paid by the Government in different parts

of the country so there would not be excessive rents paid and so that all Government space should be used as far as possible.

Senator KING. I would like Senator Blaine present when that is presented. He has been called away from the committee hearing just a little while ago. His committee has been making some investigation in regard to post offices and rents paid for that purpose, and the record which has been presented there as I understand it shows that the Government has not been very careful in securing favorable contracts.

Colonel GRANT. That I have read about in the papers, sir. Unless you have some questions you want to ask me I think Mr. Ihlder should be heard.

Senator COPELAND. I think he brought the matter to our attention before, and I do not think there is anything more we need from Colonel Grant.

The CHAIRMAN. Then if the committee is agreeable we will take an informal recess at this time.

Mrs. MARSDEN. Before you do that, Senator, I should like to make a brief statement.

The CHAIRMAN. Very well.

STATEMENT OF MRS. MATTIE V. MARSDEN

Mrs. MARSDEN. I have rented for years. I have rented of cliques from one to the other. I have gone from one real estate to another. You will never get any reduction unless the Government takes it in hand. That is my statement to you this morning. They say they will put rents down. I say that Fisher & Co. for the last four years have not done that. I was threatened that unless I paid the rent I would have to get out. I let it go until the last minute, and then I would pay it. I am a woman 66 years of age. They did not care whether they set me out, gold-star mother or no mother. I had to pay my rent, they said. I said, "Can't you come down? Congressmen and Senators want rents to come down." "No, they have nothing to do with us. We are not going to put it down. We do not have to put it down. We are not making anything." I have moved and to move they gave me two months' rent so I would not try to initiate the others to get them to put down the rents. That is Fisher & Co., the hardest people I ever rented of, except Mr. Bowie and Mr. Rust. There [indicating] is one of them right there. He has given me notice upon top of notice. They will not come down in their rents. They are in for all that you have. As for poverty, they do not care if you are ejected. I saw the case the other day of an old lady. She had one married son who paid no attention to her. They put her out. She sold everything she had in the world to pay her rent. They put her out in the street and she had to go to her sister in a sick condition, looking like a T. B. case. She was ejected, and a secondhand man got everything of hers.

Right back of me there are four or five houses on L Street. Talk about poor people. Those houses are locked up, even the windows are barred. I asked a lady and gentleman the other day if those places were locked up for liquor or disorderly houses. She said no, that the marshal locked them up and it was because the owners did

not want to keep them open. Why couldn't they be opened for the poor people of this city that are walking the streets night and day with no place to lay their heads, mothers and babies and all? I think it is an outrage. No real-estate man should be allowed to do a thing like that. They are in a clique, and you can never make Mr. Bowie or Mr. Rust or Mr. Fisher or any of them do anything unless you Congressmen get after them and make them do it. I thank you for listening to me.

The CHAIRMAN. The committee will stand in recess until 2.30 o'clock this afternoon.

(Thereupon, at 1.15 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.)

AFTER RECESS

The hearing was resumed, pursuant to the recess, at 2.30 o'clock p. m.

The CHAIRMAN. I have received from the District Commissioners a letter signed by President Reichelderfer, reading as follows:

> The District Commissioners have received notice from your committee of the hearings in connection with the rent investigation and involving housing and alley conditions in the District of Columbia to be held Thursday, December 1. The District Commissioners will be pleased to have a representative at this hearing. This representative will be Lieut. R. E. York, Corps of Engineers, assistant engineer commissioner.
>
> The District Commissioners have several times expressed their sympathy with any project for correcting alley conditions in the District of Columbia in order to provide better sanitation and to improve the appearance of the city. However, the finances of the District of Columbia made impossible, and still make it impossible to execute such a project. If such a project could be carried out with funds other than those of the District, and if done with Federal funds be in accord with the financial program of the President, the District Commissioners would recommend favorable action.

STATEMENT OF JOHN IHLDER, HOUSING CONSULTANT OF THE NATIONAL PARK AND PLANNING COMMISSION, AND CHAIRMAN OF THE HOUSING COMMITTEE OF THE WASHINGTON COUNCIL OF SOCIAL AGENCIES

The CHAIRMAN. Mr. Ihlder, please state your full name, and in what capacity you appear here.

Mr. IHLDER. My name is John Ihlder. I am housing consultant of the National Park and Planning Commission. I am also the chairman of the housing committee of the Washington Council of Social Agencies.

The CHAIRMAN. You have been interested in this problem for many years, I know.

Mr. IHLDER. Yes.

The CHAIRMAN. And you have done some good work, too.

Mr. IHLDER. Thank you.

The CHAIRMAN. You may proceed.

Mr. IHLDER. I should like to begin where Mr. Halbert left off. You will remember that he was painting a picture of the poverty in the District of Columbia, the burden of which was due to unemployment. He made it very evident, though he did not say so in that many words, that the relief program of the District, the relief program of any committee, is merely a means of tiding over until times may get better; and if that tiding over lasts too long, the relief tends to become more and more inadequate.

You will remember that in his talk this morning he told of the cutting down of relief; that to-day relief in the District is so small that I believe Senator Copeland asked, "How can a family live on that amount of money?" In one or two other cities the relief has been very much more adequate, and as a result rents were paid out of relief.

Several questions were asked Mr. Halbert this morning about rent being included in relief. He said that some rents are being paid, but he did not give a general statement as to policy. Apparently, rent is being paid here as necessary.

He also said that there are a great many families here that are being evicted for nonpayment of rent—families that are receiving relief. Consequently, the relief in the District evidently is not enough to include all of the needs of the family, and part of that burden is being thrown back on real estate by the neglect or the nonpayment of anything for shelter.

To repeat what I said before, it is obvious that the long continuance of the depression and of the need for relief is causing a diminution in the amount of relief. That is, we are beginning to starve, very obviously. There are those among us who believe that relief should be definitely looked upon as a temporary tiding over, and that immediately, when such a situation as the present arises, we should begin to think in constructive terms, in terms of doing something that will help to stop, to bring to an end, this period of relief; and it is on that phase of the situation that I wish to speak particularly to-day.

Before I get on that, however, you will remember that Senator Copeland two or three times this morning said, "What are we going to do about it?" That is, the picture, that was being presented here, was one of almost unrelieved gloom, and with no hope at the end of it. We are just getting worse and worse. The number of cases who are applying for relief is increasing, as well as the amount decreasing and the resources decreasing. It is more difficult to raise money this year than it was last year.

The CHAIRMAN. Do you think the problem is more acute here in Washington than in other cities in this part of the country?

Mr. IHLDER. It is not as acute. Washington is better off than many other cities in the country. There is one city that I think is handling it more adequately, but it is having a bigger burden than Washington is.

Mr. BRINKMAN. May I ask Mr. Idhler a question there?

The CHAIRMAN. Certainly.

Mr. BRINKMAN. You spoke of the difficulty of raising funds. Is it not true that the Community Chest was unable to raise the amount that it considered absolutely necessary this year?

Mr. IHDLER. I understand that it was.

Mr. BRINKMAN. It failed by approximately $500,000?

Mr. IHLDER. Yes. Of course the difficulty of raising funds through voluntary contribution is increasing all over the country with the continuance of the depression and the shrinkage of values.

The CHAIRMAN. I think I understood you to say at the beginning that the relief funds available here were not as great, have not been supplied as liberally as in other cities.

Mr. IHLDER. No; what I meant to say was that the destitution here, in terms of wealth of the community and the resources, is not as great as it is in some other communities.

The CHAIRMAN. I see. That is largely because this is not an industrial center?

Mr. IHLDER. Yes. In some of the industrial cities, where the industries are pretty well closed down, the situation is far more desperate than it is here.

The CHAIRMAN. That means, of course, that there is more unemployment, more people out of work.

Mr. IHLDER. Yes. In one city that I know of, one-fifth of the population is to-day being supported by charity.

The CHAIRMAN. I am curious to know what city that is.

Mr. IHLDER. Fall River, Mass.

Because we have thought of this situation exclusively in terms of relief, because we have not given consideration to constructive measures, just trusting that the tide will turn and prosperity come out from its corner, we have not considered as thoroughly as I think we should how the relief money should be spent in terms of making it return something to us, but have tended to think only in terms of reducing the amount of relief. That is, we have seen only one side of the problem, the result of which has been that our poorer housing in the cities has deteriorated more rapidly than usual; and to-day I thing that in nearly all our cities—Washington not excepted—the poorer housing is in much worse condition than it was two years, three years, or more ago.

Questions were asked this morning in regard to the rentals in Washington, and whether or not they are exorbitant as contrasted with rentals in other cities. I have here cards on approximately 100 houses, vacant houses in the poorer sections of the city. This is a supplement to a study we made about two years ago, as you will remember, Senator, in which we showed at that time that there were vacant houses available to take care of two years' evictions or two years' clearance of our 10-year slum clearance program. The indications of this two weeks' study which is being made by volunteers are that the situation is practically the same to-day; that there are a great many vacant houses of that character—that is, of the lowest and lower rental classes—that are standing vacant.

The asking price for those houses seems to run about $5 per month per room. That is the asking price. That asking price for those houses, if they are in good condition—if they are habitable and have the proper equipment—is not exorbitant as compared with other cities. In one other city I know it runs about the same, and in another city it runs six or seven dollars for analogous houses. But the question is, and Mr. Halbert brought that out, what condition the house is in. Five dollars may be an exorbitant rent for a shack, for a wreck, for a building that has absolutely no equipment; so that one would have first to describe the house and its condition before he could say whether or not that rent is exorbitant.

What is being proposed in a number of other cities to-day, and has been taken up by one Canadian city—the Canadians do seem to get

the jump on us occasionally—is to say that in the case of relief families, families that are receiving public relief, that relief shall include what we call the carrying charges of the house; that is, shall pay its taxes, shall pay its water rent, shall pay for insurance against fire, shall pay for necessary repairs, repairs that are required by law to keep it habitable; and if the owner does not continue to manage the property, wishes to turn it over to an emergency housing company, shall include enough to pay the administrative expenses of that company.

That seems to figure out about 50 per cent of the asking rent of these properties; and because of the rapidly deteriorating condition of houses in the poorer districts in other cities that proposal to-day is being considered seriously in Baltimore, Philadelphia, Chicago, Pittsburgh, and several other cities.

In regard to evictions, apparently families receiving relief here are being evicted because there is no rent policy, because there is no arrangement made with the owners. One little thing that has been done in order to promote a spirit of cooperation and to do away with some of the hardships has been in Pittsburgh, where the real-estate men and the constables have agreed not to have any evictions after 12 o'clock noon, or after 12 o'clock noon on Friday, in order that there may be more opportunity to find shelter for the evicted family; but that is merely a short step, and is in answer to Senator Copeland's repeated question, "What can we do about it?"

In the constructive work in which I am most interested, believing that it will help to end the depression, there are several phases that tie right up to this relief. One is that if we do what is in the minds of the National Capital Park and Planning Commission—that is, make a study of the area of the District of Columbia for the purpose of determining which areas are getting ahead economically and socially, and which areas are going down and becoming liabilities to the community—following that, and acting on the findings (Mr. Nolen here has maps showing which those areas are in the District), would give work and wages, and to that extent would relieve our relief budgets, and not only take people off the relief but give them some purchasing power. It would create values, and, third, it would rid the community of areas and buildings that to-day are the cause of constant expenditure, inspection, police, fire, and sanitary.

Underlying the present situation there is a new and fundamental condition. I think that most of the real-estate men, most of the builders, are still thinking that if the depression were over we could go ahead as we did before the World War; that there is a never-ending stream of people who are going to come into our city; that there are going to be new families established; that there is no end to the new land and the new buildings that can be created and occupied.

Apparently during the past few years, since the war, and especially during the last five or six years, the exact opposite has taken place. The population is not increasing to any noticeable extent. The population, according to statisticians who are thinking of more than just this year, is to-day beginning to shrink throughout the country. A few cities may continue to grow by drawing from other cities; but I think that even in Washington you will find that in our public schools the number of children in the lower grades is decreasing.

The total population is increasing because of the high schools, but the lower grades are losing.

That is true all over the country. We are not having as many children; we are not having as many new families established. Consequently, what is happening, the significant thing that is happening is, instead of growth of the population, we are having a shift of population, the same population shifting. From that it follows that instead of doing what we used to do—just adding to the houses, the buildings that we had—the significant job for construction in the future is going to be substituting new buildings for old buildings, improved buildings for bad buildings.

That makes us take a very definite interest in the older parts of the city, the parts of the city that are losing population. For instance, in Boston the city proper, so-called, with the slum districts of the north and west ends, has lost 30,000 population in 10 years. Mr. Nolen's maps will show something of a similar drift in the District of Columbia from the old, more densely populated districts. Values are going down, whether the assessment shows it or not. Our job, from the city planning point of view and from the housing point of view of the community, is to study those deteriorating areas, determine what is the best use that can be made of them, and then start constructive work in accordance with those findings.

The CHAIRMAN. You would begin a program of that sort right now; would you?

Mr. IHLDER. Just as soon as we can get people to face the facts.

The CHAIRMAN. As you know, we have had a bill before this committee for two or three years, I guess—one that I introduced myself, S. 101—"To provide for the discontinuance of the use as dwellings of buildings situated in alleys in the District of Columbia, and for the replatting and development of squares containing inhabited alleys, in the interest of public health, comfort, morals, safety, and welfare, and for other purposes." That was proposed at a time when conditions were entirely different from what they are now.

Mr. IHLDER. Yes.

The CHAIRMAN. And that, of course, was a permanent policy.

Mr. IHLDER. Yes.

The CHAIRMAN. With the conditions that prevail here now, and in fact in every city in the country, where the number of people in distress has greatly increased, and the immediate needs must be taken care of, and people are hungry and without food and clothing, would you think it wise to go ahead on a constructive program, spending a lot of money, which would be necessary even to get a fairly good start, rather than making use of all that money for emergency relief? What do you think about that problem?

Mr. IHLDER. I have been living with this emergency for something more than three years, and in cities where the emergency has been for more serious than it has here in Washington; and the net result to date has been increasing undernourishment, increasingly inadequate meeting of the need, with the prospect that that inadequate meeting is going to be made still more inadequate and that our resources are going to dry up almost entirely; that our only hope is, before our resources have all dried up, to turn around and say we are going to do something constructive that will pull us out.

I should say, yes; that while the conditions have changed, that still is the measure to support.

The CHAIRMAN. You know, of course, there is a great protest from taxpayers all over the country. I know out in the farm country, where I come from, the farmers are just groaning under the burden of taxation. The same, of course, is true of the business men; and there is a great demand on Congress here to curtail public expenditures in every possible way. In the face of that, do you think we could still go on with large expenditures for some such permanent program as is contemplated in the bill now pending before the committee, rather than devoting more of the funds of the Government and of the District of Columbia to immediate relief?

Mr. IHLDER. That bill called for an expenditure of $3,000,000 over a period of 10 years, the amount to be turned over and over as it went out in wages and the creation of values. Under relief to-day in the District of Columbia, according to Mr. Halbert this morning, you are spending $3,000,000 in one year. In the city of Boston they are spending $10,000,000 in this one year for relief alone, that gets them nowhere; and at the end of the year those people will be in a worse condition than they are to-day, and the city will have nothing at all to show for it. I really believe that the part of wisdom is to say that we shall begin to try to pull it up, instead of tightening our belts some more when already we are undernourished. This is a case where, in my belief, spending a comparatively small amount of money will produce much more money.

The CHAIRMAN. Mr. Halbert's picture of the situation here to me seemed quite alarming.

Mr. IHLDER. It is.

The CHAIRMAN. There is certainly a most serious condition here.

Mr. IHLDER. May I say one thing along that line?

One of the Senators this morning asked about the mental attitude of these people, indicating the question of the alarm. Up to a few months ago I felt that the mental attitude was very much such as Mr. Halbert pictured it, of just accepting what was coming to them because of the inherent American belief that the thing will right itself. To-day that belief is beginning to wear pretty thin. There is a change going on in attitude; and, to my mind, the best kind of insurance we can have is to give the people renewed confidence that the change is coming; that those who are in control, who have the direction of events, are confident that the change is coming, and for that reason they are making definite plans. They are not just talking about "prosperity being around the corner," but they are saying, "We know it is coming, and therefore we are making definite plans to do this six months from now, or a year from now, because of our confidence." That kind of confidence will breed confidence in those who are suffering; but if they look forward to this winter without any constructive plans, with the question that Senator Copeland asked this morning, "What are we going to do about it?"—if that is all they get, and their relief is diminishing all winter, then I think it is serious.

The CHAIRMAN. Of course we must feed and take care of every hungry person, and clothe them comfortably; and with 45,000 people out of work that becomes a very great problem.

Mr. IHLDER. Suppose you could reduce it to 35,000. It becomes a little better, and the mental effect is tremendous.

The CHAIRMAN. I am entirely in sympathy with your constructive program for correcting the alley situation in this city; but I am just wondering whether this new problem that has been introduced here in the last two years of unemployment, people actually in want and without the necessary food and clothing, and the number steadily increasing, does not almost make it necessary to sidetrack the other matter temporarily.

Mr. IHLDER. The "temporary" situation has already lasted three years. That is a long "temporary."

The CHAIRMAN. Yes; to be sure.

Mr. IHLDER. May I give you two illustrations from Europe on something in the past, so there is no controversy about it?

The city of Bruges, in Belgium, was at one time the richest city in Europe—richer even than Venice. It had the greatest trade. At that time the city of Amsterdam was growing in size. Bruges came to the period when ships were made a little bit larger. Ships had to reach Bruges by canals. Bruges was feeling an economy streak. They had a little unemployment, and they decided that they would save money. They did not deepen their canals. They saved money by letting the canals silt up a little. They said, "We have the wealth here. We are the center of the commerce of northern Europe. They have got to come to us." Amsterdam dug a canal to the North Sea. Bruges is a mummy of the Middle Ages. Bruges died because it just did not add a little bit more and do the thing that would keep it going. Amsterdam did that little bit more and is still a great city.

That is the kind of situation that I see the United States facing to-day. If it reduces its ambition, reduces its plans to merely keeping the unemployed on a minimum basis, which means malnutrition—we are getting it widespread—then we are going to have trouble.

The CHAIRMAN. You favor a general program of public works that would help to relieve this condition?

Mr. IHLDER. As a stimulus to provide work. That is, I would have a carefully worked-out program, using public works and public money as the priming of a dry pump. Here is this pump that has not been working for a year or two, and it has gotten dry. The public money should be used to wet that pump and make it act again, so that private enterprise would begin to operate.

The CHAIRMAN. Is that all you have to say?

Mr. IHLDER. If there is any question about my generalization, as I said, Mr. Nolan has a series of maps here which show what is happening in the District of Columbia; and it is the same thing that is happening in our other cities. That is, the centers of cities are losing their population and losing their values; and unless we do something definite and constructive about it, the liability is going to be so great as to lead us toward bankruptcy. Of course, that leads also to legislation, that being the definite thing.

There is a Mr. Justement here, representing the architects of the District, who will speak on that more definitely.

The CHAIRMAN. We should be glad to hear him whenever you are through.

Mr. IHLDER. I think I have said my say.

The CHAIRMAN. Very well. Would you like to ask Mr. Ihlder some questions, Mr. Brinkman?

Mr. BRINKMAN. I thought I might ask Mr. Ihlder whether they are not doing some of that housing in New York State, and whether they have not borrowed funds from the Reconstruction Finance Corporation. I refer to this project, for instance, of the Bronx.

Mr. IHLDER. Yes.

Mr. BRINKMAN. Is that the sort of project you had in mind?

Mr. IHLDER. It is, and it is not. My feeling is that New York State or New York City has gotten off a little on the wrong foot. To my mind, this kind of work—the loans from the Reconstruction Finance Corporation which I should hope would be made available in the District—should be made available for reconstruction or for substitutions for present buildings, and not for additions. That is, we want to get rid of our liabilities, not merely add more buildings to compete with the vacancies we now have.

The CHAIRMAN. We have some communications here from civic organizations of the District of Columbia expressing their interest in this alley legislation.

There is one here from the District of Columbia Federation of Women's Clubs, strongly indorsing Senate bill 101.

There is another letter from the Washington Welfare Association, signed by Marion Grace Conover, hoping that that bill will have the approval of the Senate.

The Petworth Women's Club send us a communication asking for favorable action on the legislation.

The Washington Council of Social Agencies have sent a communication from the housing committee, signed by Florence D. Stewart, secretary.

So there seems to be strong support for a program of something on this order.

Mr. IHLDER. Senator, there is a list here of a large number of agencies—I forget how many; it looks to be about 60 agencies—in the District which have voted to support your bill.

(The list is as follows:)

ORGANIZATIONS WHICH HAVE INDORSED THE DISTRICT OF COLUMBIA ALLEY DWELLING ACT

A. B. C. Business Clubs;[1] Adas Israel Congregation; Alumnae Association, Freedmen's Hospital Training School for Nurses;[1] American Home Economics Association; Associated Charities; Association for the Prevention of Tuberculosis; Baptist Ministers Union;[1] Christ Child Society; Citizens Advisory Council; College Alumnae Club;[1] Civic Club of Allegheny County, Pittsburgh; Committee on Race Relations of the Washington Federation of Churches; Congress of Parent-Teachers Associations (representing 75 parent-teachers' associations); Clericus (Episcopal clergymen); Columbian Teachers Association;[1] Council of Jewish Women; Dupont Circle Citizens Association; Executive Committee of the Washington Federation of Churches; Federation of

[1] Organizations of colored people.

Citizens Associations (representing 62 citizens' associations); Federation of Civic Associations (representing 19 civic associations);[1] Garfield Heights Citizens Association;[1] Hillcrest (Washington City Orphan Asylum); Hebrew Home for the Aged; Housing Committee of the Washington Council of Social Agencies; Howard University Alumni Association;[1] Hampton Alumni Association;[1] Instructive Visiting Nurse Society; Jewish Welfare Federation; Jewish Foster Home; Jewish Community Center; Medical Society of the District of Columbia; Medico-Chirugical Society of the District of Columbia;[1] Monday Evening Club; Mount Pleasant Citizens Association; Musolit Society;[1] National Association for the Advancement of Colored People;[1] National Society Daughters of the American Revolution; Northeast Washington Citizens Association; P. E. O. (Chapter H); Parent Teachers Association;[1] Phyllis Wheatley Young Women's Christian Association;[1] Robert T. Freeman Dental Society of the District of Columbia;[1] Saturday Evening Club; Race Relations Committee of the Washington Federation of Churches; Social Hygiene Society; Social Service Committee of the Federation of Churches; St. Anna's Home; St. Monica's League; Travelers' Aid Society; Twelfth Street Branch, Young Men's Christian Association;[1] Washington Board of Trade, committee on alley-dwelling elimination; Washington Hebrew Congregation; Washington Welfare Association; Women's Guild of Transfiguration, Episcopal Church; Woman's Auxiliary of Epiphany Church; Women's City Club; Women's Democratic Club; Women's Parent Mite Missionary Society of the A. M. E. Church; United Hebrew Relief Association; Young Women's Christian Association; Zonta Club.

Mr. IHLDER. Mr. Nolen has these maps to show, if you would be interested in seeing them.

The CHAIRMAN. You could leave them with the committee, I suppose?

Mr. IHLDER (to Mr. Nolen). Could you leave those with the committee, or can they brought up at some time?

Mr. NOLEN. They are our only copies, Senator. We could leave them for the time being.

The CHAIRMAN. After the committee adjourns we probably can look them over.

Mr. NOLEN. Yes; I think that would be very proper.

The CHAIRMAN. When you get through, Mr. Ihlder, we will put Mr. Nolen on the stand, and he can briefly explain what is covered by the maps.

Mr. IHLDER. They show by colors quite graphically where the population is drifting out.

The CHAIRMAN. Very well.

Mr. IHLDER. Our feeling is that there is to-day, with this diminishing population growth and with the increased area that is being made available for the city through hard-surfaced roads and automobiles, a great disparity between the sites for housing and the present density of population; that we have a surplus of available sites, and, in terms of quantity—not quality—we have probably a surplus of dwellings. There are a great many vacant dwellings. Our proposal for attacking that surplus of dwellings is to demolish those that are unit for habitation, to begin at the bottom and clean up until we have approximated what the community needs.

The CHAIRMAN. Have you reached any conclusion as to rentals in this city, as to whether they are reasonable or whether they have come down in line with the reductions in other cities?

Mr. IHLDER. I have not any valid opinion on that subject; no. I know they have come down; but my impression is, from the information I have, that they have come down irregularly.

The CHAIRMAN. You are not able to make comparison with other cities?

[1] Organizations of colored people.

Mr. IHLDER. No. The one comparison that I felt I could make was on these cheapest houses, which seem to run about $5 per room, asking price. As I say, whether or not that is exorbitant depends on what kind of a house it is. If it is a good house, that is not exorbitant.

The CHAIRMAN. How do those rentals compare with other cities?

Mr. IHLDER. They are very fair; but it all depends on whether the house is good.

The CHAIRMAN. That is all you have?

Mr. IHLDER. Yes.

The CHAIRMAN. All right; we are very greatly obliged to you, Mr. Ihlder.

Mr. IHLDER. We have, as you know, studies here of the changes that are going on in the District.

Mr. BRINKMAN. May I ask Mr. Ihlder one question?

The CHAIRMAN. Certainly.

Mr. BRINKMAN. Do you believe that a housing program would give considerable employment to people here?

Mr. IHLDER. My feeling is that a demolition program that would be in accordance with the needs of the District would immediately give a considerable amount of work and wages; that the construction of new houses is the thing that does most to stimulate business of any one enterprise. In 1921 it was the house building that pulled us out of that depression; and if we could have a large-scale house-building program in the country I am optimistic enough to believe that that would be enough to turn the tide. But we have this apparent surplus, due to the unfit dwellings, and we want to get rid of them.

STATEMENT OF JOHN NOLEN, Jr., CITY PLANNER, NATIONAL CAPITAL PARK AND PLANNING COMMISSION

The CHAIRMAN. What is your position, Mr. Nolan?

Mr. NOLAN. City planner, National Capital Park and Planning Commission.

The CHAIRMAN. Just show us what you have in the way of maps, and briefly explain what they show.

(Mr. Nolan produced a number of colored maps. Those which could be reproduced easily are printed in the record.)

Mr. NOLAN. These maps were prepared, of course, for our commission, to enable it to carry on its duties and studies, and to be a foundation for the various recommendations it has to make from time to time.

This particular map here (not reproduced) shows the entire Washington region, including four counties outside of the District of Columbia—two in Virginia, and two in Maryland—and depicts the changes that have occurred in the last decade in population, showing within the red area, downtown in Washington, practically embracing the entire old city of Washington, an area of decrease in population. Immediately adjoining it to the northwest and southeast there is a narrow area of increase that is less than the general average over the whole of the area, which includes the District with these four counties.

The CHAIRMAN. People are moving farther away from the center?

Mr. NOLEN. That is right, sir. Then, immediately outside of that, embracing the suburbs within the District and the suburbs outside

of the District, the map shows an area in which there has been an increase greater than average. That tapers off to areas of less-than-average increase beyond, on the outskirts, and areas of actual decrease out in the rural sections 15 miles from the center of Washington.

That is the general picture for the Washington region.

The CHAIRMAN. Would that movement, that spreading out, tend to lower or increase rents?

Mr. NOLEN. That is a very difficult question, Senator. I think it depends a good deal on the type of accommodations that are offered, and the question of whether speculation comes into it; what is the original cost to the person who builds the home, and the original purchase price of the person who buys the home.

The CHAIRMAN. That movement is something that means the welfare of the country; do you not think so?

Mr. NOLEN. Yes, sir. This has taken place throughout the entire United States. It is characteristic of the last decade.

Mr. IHLDER. May I interrupt there? It can go so far as to cause very great unnecessary expenditures for street extensions, water, sewer, and things of that kind, when we already have developed areas in town that are not being economically used.

The CHAIRMAN. But to get rid of congestion, it really is conducive to more comfortable living?

Mr. IHLDER. Oh, there are areas that should lose population still.

Mr. NOLEN. There is that very favorable aspect. I have not meant at all to convey the impression that this was something to be decried. It has very great social advantages, but there are some very definite economic problems that it raises, such as Mr. Ihlder has suggested.

The CHAIRMAN. It certainly means more outdoor life, and that is very desirable.

Mr. NOLEN. Yes, sir; it is a fine thing in those respects.

All of these maps can be photostated, and we can color the photostats. We can bring them down to a smaller size if you wish, so that they could be included in the official record.

The CHAIRMAN. That is a very interesting map.

Mr. NOLEN. The thing that was striking, when we actually came to work the thing out, was the uniformity of this general movement.

The CHAIRMAN. It has spread in all directions?

Mr. NOLEN. It has spread in all directions, and it has spread farthest in the directions where there is transportation. Of course this movement has been initiated by the automobile, and perhaps by the higher standards of living, giving people the ability to fulfill their natural desires, to get their own homes and to move out into the country—a desire for more open surroundings.

Coming down to Washington proper, this map [not reproduced] shows on a magnified scale the same thing in Washington. It shows, in the area north and south of the Mall, an area of decrease of population, rather large decrease; the most, of course, in the central business district, where there has been considerable business and commercial development in the last decade. You would expect to find a drop in population there. The map shows an area of decrease also in southwest Washington, embracing the entire area of southwest Washington, of 23 per cent. Outside of that area is an area of

lesser decrease—this area in orange—the decreases ranging from 1 per cent in the northeast section of the old city to something like 18 per cent in the area up around Iowa Circle.

Then outside of the old city there has been a small increase. In Georgetown there has been an increase of 3 per cent; and in the area north of Meridian Hill, as far north as Spring Road, the increase has been about 10 per cent. Those are largely areas that have been built up for some time. In fact, they were laid out between the Civil War and 1900, and you would not expect to find large increases there; but the significant thing has been the very large increases to the north and the northwest. Here the increases run up to over 100 per cent, and in many sections to more than 200 per cent. One section increased well over 300 per cent.

This little map here (chart 1), which probably would be sufficient for the record, summarizes that. The area stippled is the area of decrease. The area with single hatching is the area of increase less than 100 per cent. The area with double hatching is the area of increase of over 100 per cent.

All of this tremendous growth has gone north and northwest.

The CHAIRMAN. You find more modern homes as you get out away from the center of population?

Mr. NOLEN. That is so, sir. I have some figures here on assessments, showing how the value of building development has followed the population, or vice versa. It has gone along with the desire of people to go in that direction. It is very largely, I believe, a matter of momentum and fashion.

This map (chart 2) simply indicates the relative amounts of population in these different areas that have been delineated by the Census Bureau. The black and the hatched areas are the proportion of the negro population to the white population in each section. It shows, of course, the predominantly colored population in the central part of the city.

The CHAIRMAN. About what is the proportion of total population?

Mr. NOLEN. In the District it is 27½ per cent colored. There has been quite a change in the last decade. The average increase for the District of Columbia as a whole, for the total population, is 11.3 per cent. The colored population has increased about 20 per cent, and the white population 8 per cent within the District.

The CHAIRMAN. In what period?

Mr. NOLEN. In the last 10 years. That increase has come largely in these areas: For instance, in the areas immediately north of the business district, between K Street and S Street, there has been practically a doubling of the proportion of the colored population. West of the Soldiers' Home the colored population more than doubled in numbers.

Of course that is related in a way to the housing problem, because classes of people do tend to hold together; and what has happened? I have a map here (chart 3) that summarizes the situation. These hatched and stippled areas are areas in which the total population, both white and negro, has declined. The areas simply stippled are those in which only the white population has declined. The areas

simply hatched are the areas in which only the colored population has declined.

This map [not reproduced] indicates again, in a different way, what these relative increases have been, showing by bars that express percentage the amount of growth; the blue bar being for the total population, the orange bar for the white population, and the black bar for the negro population, showing these areas of decline down town, and the areas of great increase out here to the north and northwest.

The CHAIRMAN. The population is pretty much at a standstill now; is it not?

Mr. NOLEN. Nobody that I know of has any accurate index of what is happening. Of course we have, published by the health authorities, the birth and death rates; but migration in most of our American cities is such a large factor—migration into the cities and out of the cities—that it is very difficult to tell, from those, just what is happening in any particular city; and of course in the last year or so, with the doubling up of families in quarters to save expense, it is very difficult to tell from vacancies just what the situation is.

The CHAIRMAN. Do you find that that is going on pretty extensively?

Mr. NOLEN. It is pretty generally felt that it is going on all over the country. We have no index of how much of it is going on here in Washington. It may be that there is an increase in population—people coming here from other places to live with relatives who have stable jobs here in the Government service.

Mr. IHLDER. May I inject one thing there, Senator? In Pittsburgh there is a great deal of doubling up because relief has been quite inadequate. In Boston, where relief has been fairly adequate, where relief has included rents, we get practically no evidence of doubling up among the poorer people in the population. The doubling up comes higher up in the economic scale.

The CHAIRMAN. Have you any information to indicate just where Washington stands in that respect?

Mr. IHLDER. No. I have not heard very much of doubling up here; but that does not prove anything. You see, Washington has a steadier pay roll than almost any other city.

The CHAIRMAN. And that gives it quite an advantage.

Mr. NOLEN. This map (Chart 4), Senator, shows the relative density of population in the different areas, and it shows a rather striking thing—that the areas of greatest density of resident population lie north of the business district, between K and S streets, with a density of well over 60 persons per acre. Surrounding that area in all directions except the south are areas, extensive areas about a mile wide, of densities averaging 50 persons per acre, somewhat lower than the highest, but nevertheless high densities. A striking thing is the low density in southeast and southwest Washington, as close as the areas of highest density are to the business center and the Government center of the city.

The CHAIRMAN. Washington in times past has had a very congested population, has it not? That is, it was built up very compactly?

Mr. NOLEN. Yes, sir; it has.

The CHAIRMAN. More so than most cities?

Mr. NOLEN. I think it has spread out least until the last decade.

Mr. IHLDER. Would you not say that in the northwest, that region that has been fairly fashionable, up to Mount Pleasant, going back of the property line, off the streets which give an impression of spaciousness to the visitor, you find the land pretty thoroughly occupied? I know one block with a back yard that is about the size of from here across this room. That is the only back yard it has; but the streets give an impression of great spaciousness.

Mr. NOLEN. Of course you know, Senator, that in this section up here—the region centering northward from about Meridian Hill to Piney Branch and going in all directions from there—the streets are much narrower than the average in Washington; that that is the area that grew up under no control during the 30 years after the Civil War, and that there are narrow streets there. It is a densely built-up area and is a bottle neck for traffic from the north. It is an area that I think will require lots of watching in the near future to see what is happening there. The commission, I know, feels rather definitely about that, and has discussed that problem.

I have mapped here (chart 5) something that may be of direct interest in the present investigation. It is purely a factual study of census material. It shows the proportion of home ownership in all these 30 sections of the District of Columbia, indicating in black the proportion of families that own their own homes, and in single hatching those that rent their homes. The size of the circles is proportional to the number of families in each area.

The significant thing about this is that, as you would expect, the farther out you go the more home ownership you get; and the closer downtown you come, the more people rent. So that in any case the people in the downtown area depend largely on rented living quarters—a natural condition that prevails, of course, in all cities.

The CHAIRMAN. That prevails in all cities?

Mr. NOLEN. I have not computed the statistics. I have here a release from the Bureau of the Census this past week on families by value or monthly rental of homes for cities of 100,000 or more, listing a great many cities in the United States. That gives, of course, the proportion of the owned homes and the rented homes, as well as values and rents.

The CHAIRMAN. Do you know where Washington stands so far as percentage of home ownership is concerned?

Mr. NOLEN. I have not had a chance to make a comparison of the conditions here with these cities. This particular release gives simply the blanket figures, and there is no means of comparing it without considerable computation; but that could be easily done if you wanted to compare in selected cities. Of course conditions are going to vary. You have a large foreign-born population in many of the cities that are listed here, manufacturing cities; and you will not find comparable conditions where the composition of the population varies very greatly.

Chart 6 shows, for the population that rent their homes, the proportion in each rental classification, divided as the census gives it into something like five classifications—under $15 per month, $15 to $29, $30 to $49, $50 and over. On the map (not reproduced) I have combined $50 to $100 and $100 and over, because of the small pro-

portion over $100. This indicates that the areas of $50 and over predominate in the northwest section of the city, and the areas of $30 to $49 predominate in the central area, and in the southeast and somewhat in the northeast section of the city. The areas of $15 to $29 predominate in the southwest section of the city and the extreme southeast, across the Anacostia River.

The CHAIRMAN. Are you able to pass judgment on the reasonableness of the rent charges in the District of Columbia?

Mr. NOLEN. I do not believe so.

The CHAIRMAN. You have made no study along that line?

Mr. NOLEN. No; we have not. We have just completed these charts. These charts are part of the current work the commission has had under way now for a number of months. We are doing it along with our other work. We have just arrived at this stage, and have made no further analysis than just to get the facts together. I think, though, one significant thing that stands out in a study of all these maps is the tremendous growth that has taken place to the north and the northwest. That may have an effect on rents. By way of visualizing that in another way I have taken the additional assessed values for new buildings and additions from the records of the assessor in the District of Columbia for the last 7 years. Those show that 80 per cent of all the new construction has gone to the northwest section of the city; about one-third of that in the old city, and about two-thirds outside the old city. Such a section as southwest Washington, which is situated strategically here near to the downtown section, and one of the sections in which the alley-dwelling problem is particularly acute, has received less than 1 per cent of all of the new value in building construction in the last 7 years in the city of Washington.

You see here (chart 7) there is quite a predominantly alley-dwelling section. That simply means that there are social problems in connection with this question of rentals, the desire of people to live in different sections. If people all want to go to the northwest because it is fashionable, they will have to pay fashionable prices. Here is a section right downtown, very close to places of work and places of business. Nobody will live there. Values are low. Even in spite of this close-in location, you will find per square foot values, at least as registered by the assessments, equal to very good neighborhoods in the northwest section.

Mr. BRINKMAN. Do you know why they will not live there? Have you looked into the cost of housing down there?

Mr. NOLEN. Oh, yes. Without question, the existing housing is one of the reasons.

Mr. BRINKMAN. It is rank; is it not?

Mr. NOLEN. I do not think I would say that. It is not what is offered in other directions.

Mr. BRINKMAN. It is the older type of house; is it not?

Mr. NOLEN. I am thinking not so much of what is there now, but of why money does not go there to build the type of accommodations that the people would want who might live there, who might be persuaded to live there if those accommodations were offered.

Mr. IHLDER. Would you not say that the areas that are showing a decrease in population are the areas that have inhabited alleys,

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METRIC GENERAL PURPOSE TARGET
PHOTOGRAPHIC

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PRECISION℠ RESOLUTION TARGETS

Century

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SQUARES CONTAINING INHABITED ALLEYS OF THE DISTRICT OF COLUMBIA

TO ACCOMPANY REPORT BY
JOHN IHLDER, HOUSING CONSULTANT

NATIONAL CAPITAL PARK AND PLANNING COMMISSION

1930

OCCUPIED ALLEYS CHECKED IN LAST SURVEY ■ NOT CHECKED IN LAST SURVEY □

147897—32—PT. 2. (Face p. 227.) No. 2

REDUCTION RATIO 12:1

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PM-MGP 13″x18″
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PRECISION℠ RESOLUTION TARGETS

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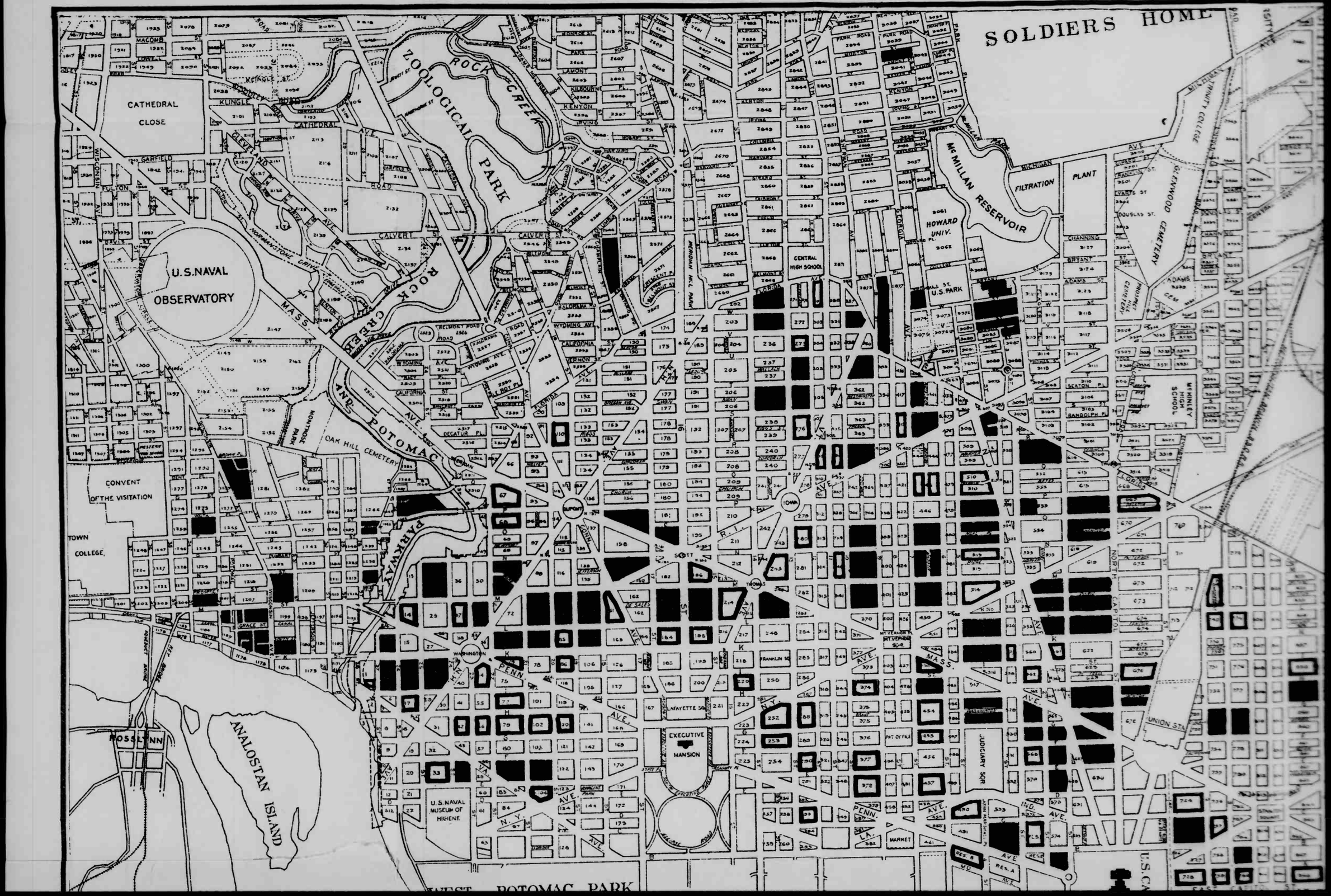
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ZOOLOGICAL PARK
ROCK CREEK
ROCK CREEK PARK
U.S.NAVAL OBSERVATORY
MASS. AVE.
ANA. POTOMAC PARKWAY
OAK HILL CEMETERY
CONVENT OF THE VISITATION
TOWN COLLEGE
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HOWARD UNIV.
CENTRAL HIGH SCHOOL
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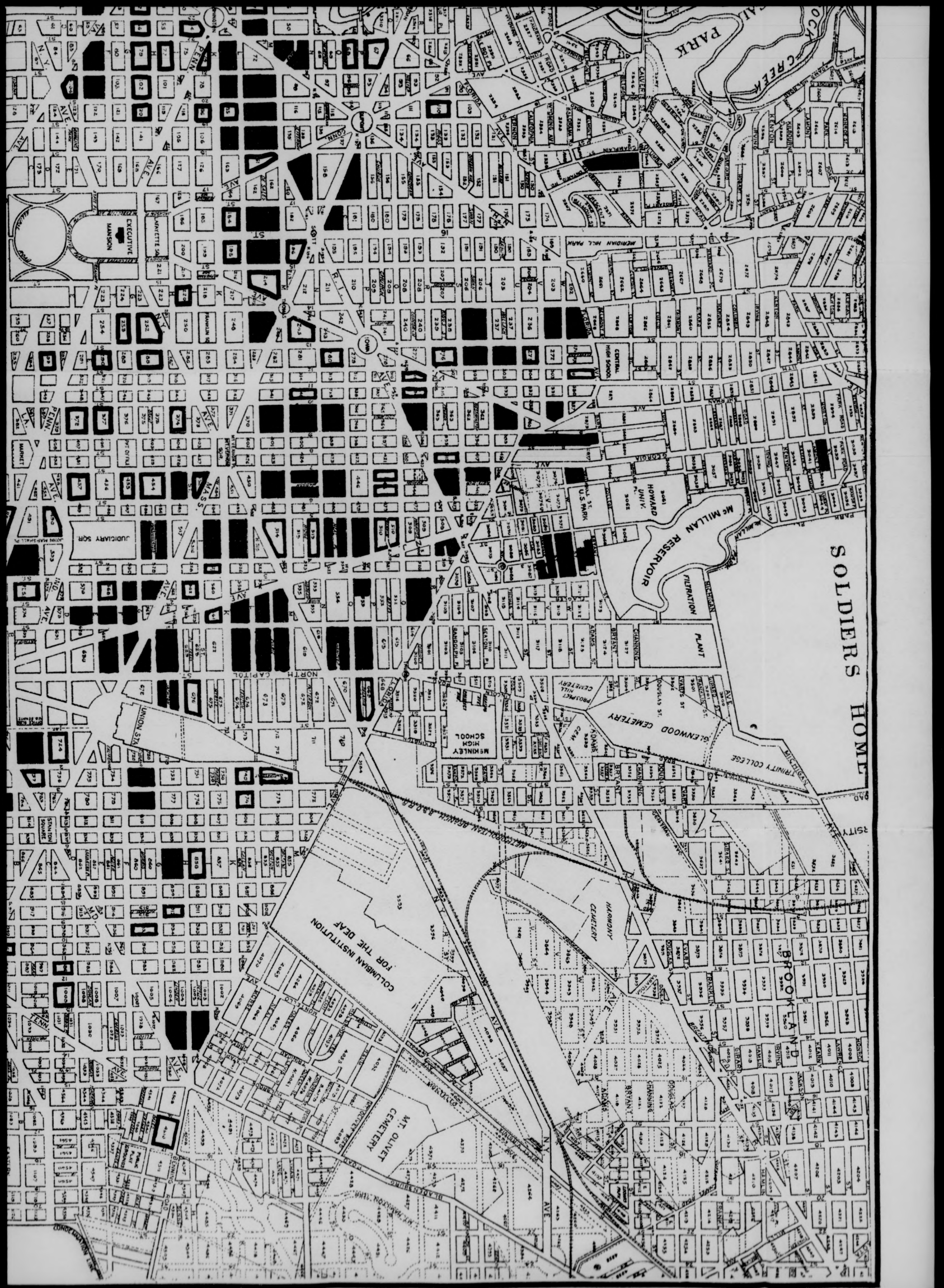
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MCKINLEY HIGH SCHOOL
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TRINITY COLLEGE
HARMONY CEMETERY
COLUMBIAN INSTITUTION FOR THE DEAF
MT. OLIVET CEMETERY
BROOKLAND
MCMILLAN RESERVOIR
MICHIGAN AVENUE
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UNION STA
EXECUTIVE MANSION
JUDICIARY SQR
STANTON SQUARE
FRANKLIN SQ
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MASSACHUSETTS AVE
NEW JERSEY AVE
CONSTITUTION AVE
INDEPENDENCE AVE
MARKET SPACE
MARKET
PUBLIC PARK
PUBLIC PLAY GROUND
PUBLIC BATHS
PUBLIC BATHS & GYMNASIUM
PUBLIC LIBRARY
POST OFFICE
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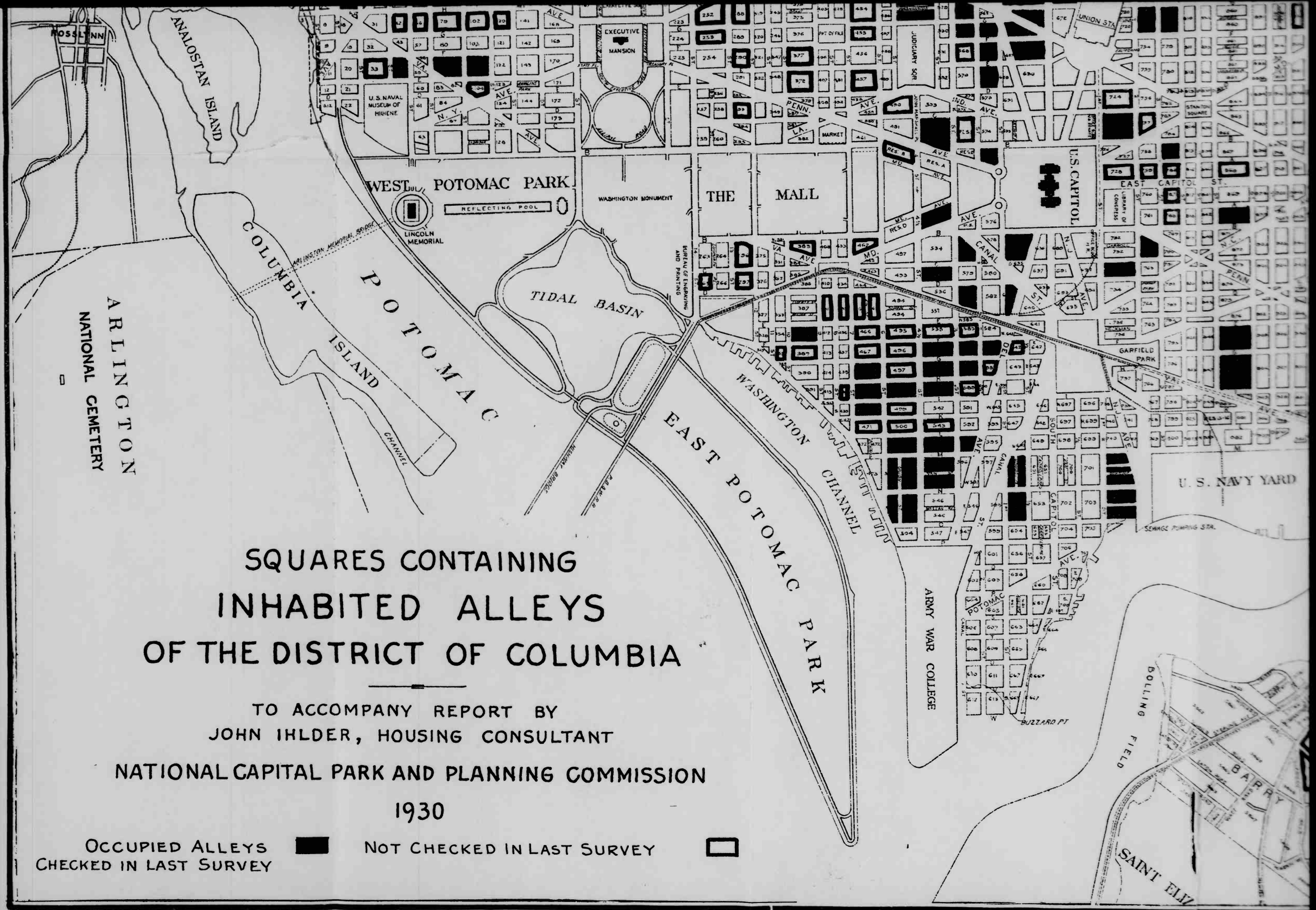

SQUARES CONTAINING
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OF THE DISTRICT OF COLUMBIA

TO ACCOMPANY REPORT BY
JOHN IHLDER, HOUSING CONSULTANT

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1930

OCCUPIED ALLEYS CHECKED IN LAST SURVEY ■ NOT CHECKED IN LAST SURVEY □

147897—32—PT. 2. (Face p. 227.) No. 2

NTAINING

ALLEYS

OF COLUMBIA

REPORT BY

NG CONSULTANT

PLANNING COMMISSION

0

ECKED IN LAST SURVEY

POTOMAC PARK

REFLECTING POOL

WASHINGTON MONUMENT

THE MALL

TIDAL BASIN

MANSION

U.S. CAPITOL

EAST CAPITOL ST.

LIBRARY OF CONGRESS

STANTON SQUARE

EASTERN HIGH SCHOOL

LINCOLN SCH

DISTRICT JAIL AND GALLINGER HOSPITAL

CONGRESSIONAL CEMETERY

GARFIELD PARK

CANAL

PENN. AVE.

MARKET

BUREAU OF ENGRAVING AND PRINTING

WASHINGTON CHANNEL

EAST POTOMAC PARK

POTOMAC

U. S. NAVY YARD

SEWAGE PUMPING STA.

WATER ST.

ANACOSTIA

ANACOSTIA

ARMY WAR COLLEGE

BUZZARD PT

BOLLING FIELD

SAINT ELIZ

BARRY FARM

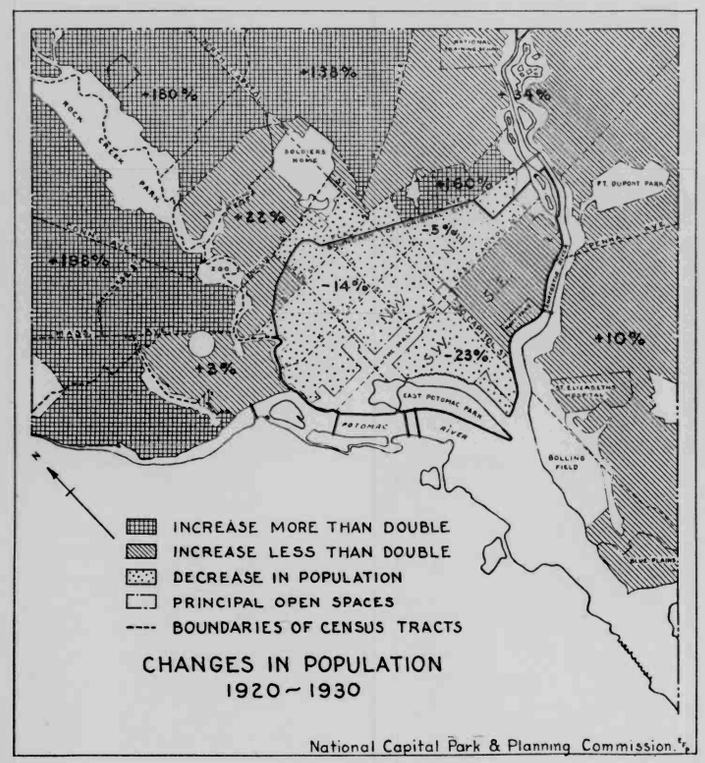
STANTON ROAD

ELVANS ROAD

MINNESOTA AVE.

GAINESVILLE

HAMILTON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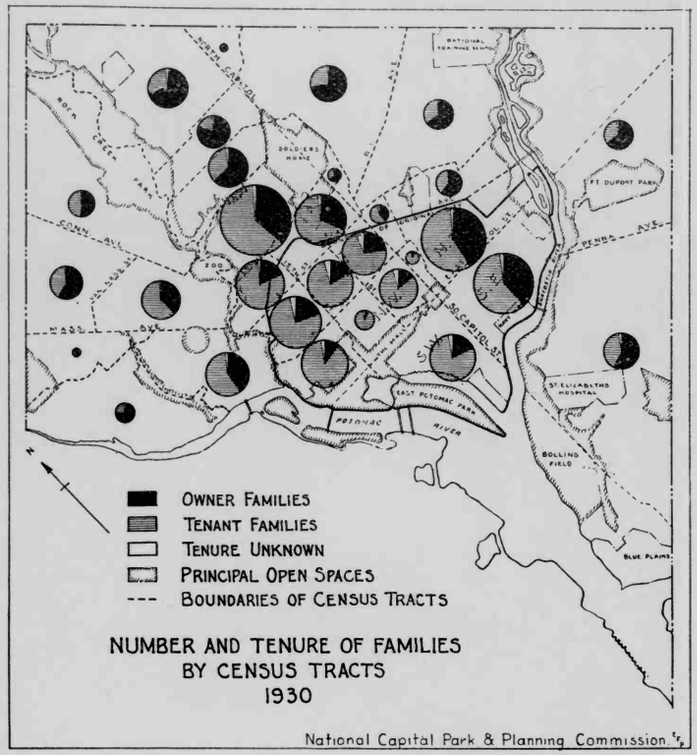
INCREASE MORE THAN DOUBLE
INCREASE LESS THAN DOUBLE
DECREASE IN POPULATION
PRINCIPAL OPEN SPACES
BOUNDARIES OF CENSUS TRACTS
CHANGES IN POPULATION
1920 – 1930
National Capital Park & Planning Commission.


OWNER FAMILIES
TENANT FAMILIES
TENURE UNKNOWN
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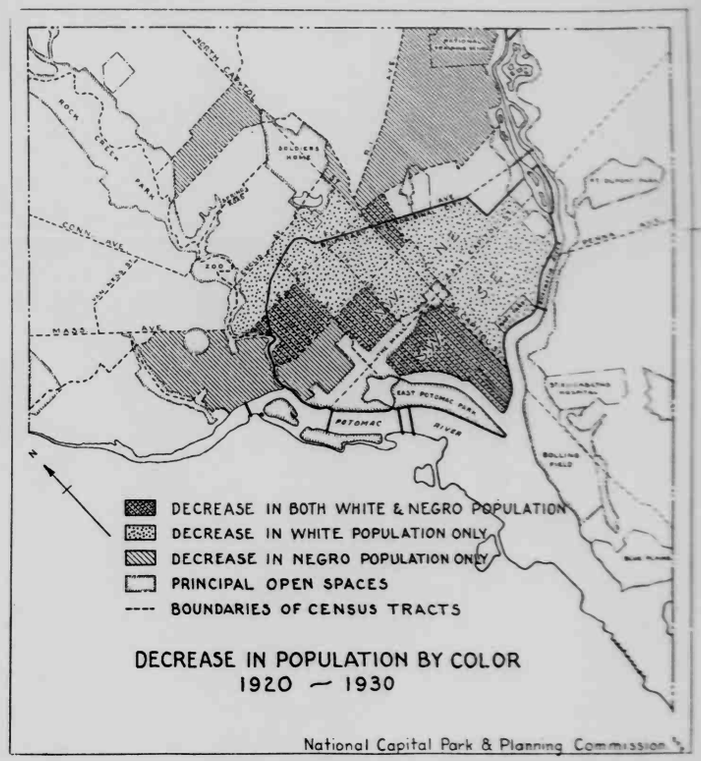
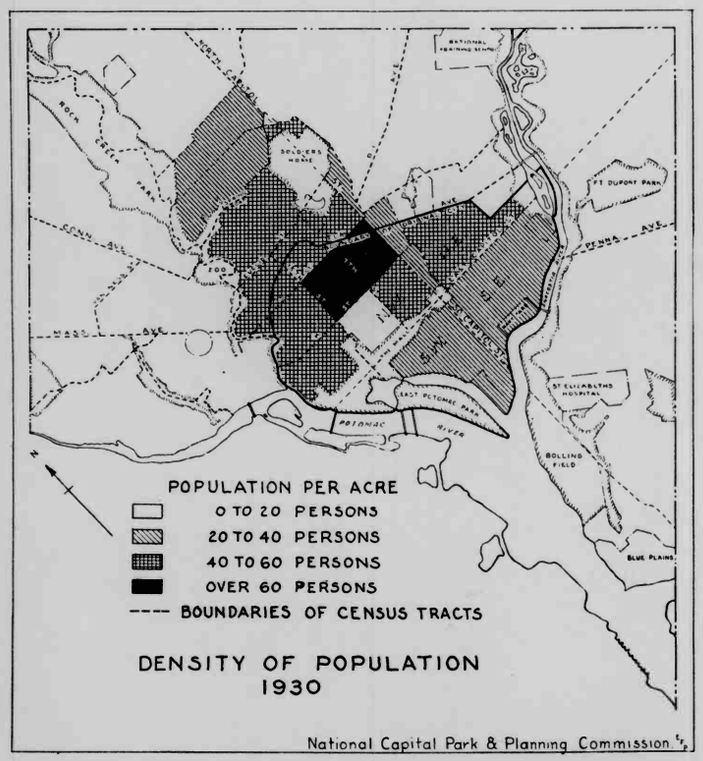
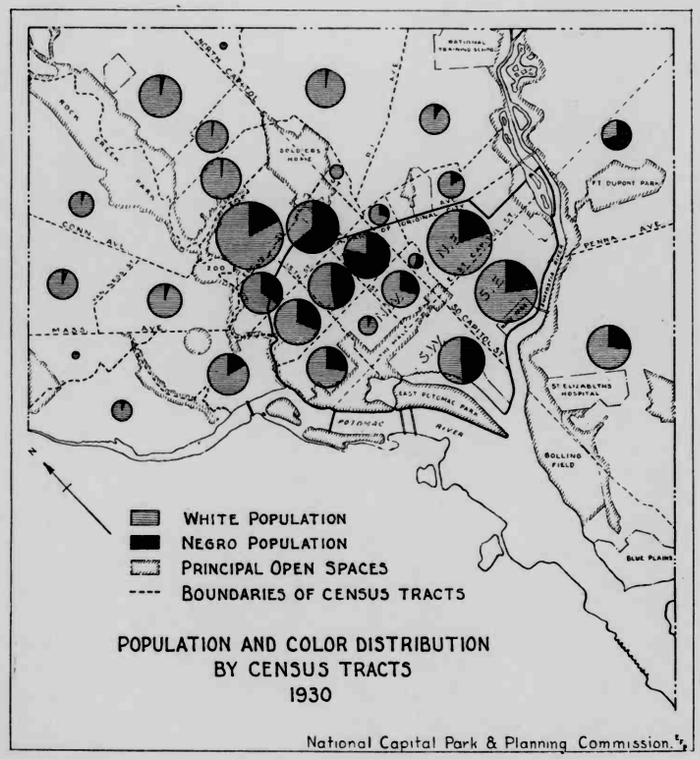
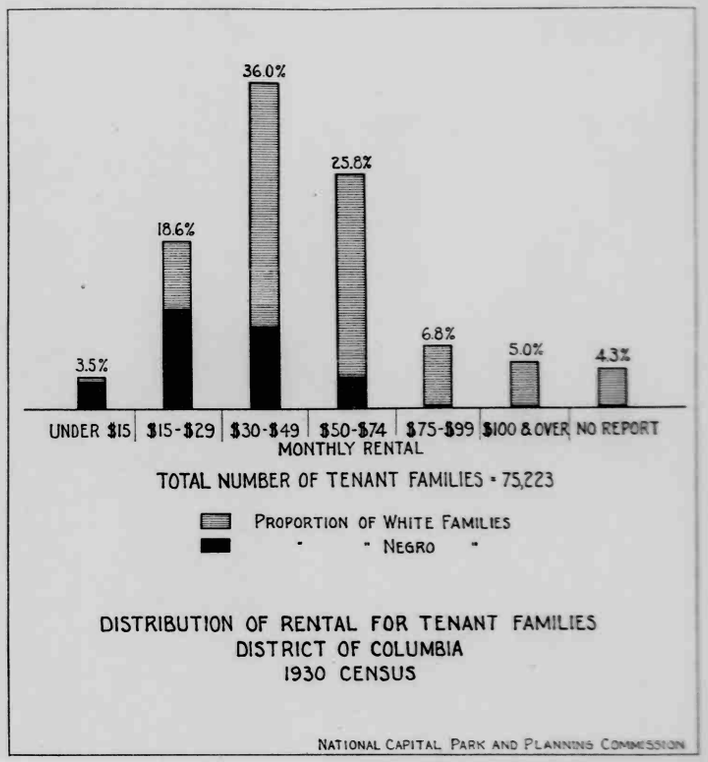
BOUNDARIES OF CENSUS TRACTS
NUMBER AND TENURE OF FAMILIES
BY CENSUS TRACTS
1930
National Capital Park & Planning Commission.


DECREASE IN BOTH WHITE & NEGRO POPULATION
DECREASE IN WHITE POPULATION ONLY
DECREASE IN NEGRO POPULATION ONLY
PRINCIPAL OPEN SPACES
BOUNDARIES OF CENSUS TRACTS
DECREASE IN POPULATION BY COLOR
1920 – 1930
National Capital Park & Planning Commission.


POPULATION PER ACRE
0 TO 20 PERSONS
20 TO 40 PERSONS
40 TO 60 PERSONS
OVER 60 PERSONS
BOUNDARIES OF CENSUS TRACTS
DENSITY OF POPULATION
1930
National Capital Park & Planning Commission.


WHITE POPULATION
NEGRO POPULATION
PRINCIPAL OPEN SPACES
BOUNDARIES OF CENSUS TRACTS
POPULATION AND COLOR DISTRIBUTION
BY CENSUS TRACTS
1930
National Capital Park & Planning Commission.


3.5%
18.6%
36.0%
25.8%
6.8%
5.0%
4.3%
UNDER $15
$15-$29
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$50-$74
$75-$99
$100 & OVER
NO REPORT
MONTHLY RENTAL
TOTAL NUMBER OF TENANT FAMILIES = 75,223
PROPORTION OF WHITE FAMILIES
" NEGRO "
DISTRIBUTION OF RENTAL FOR TENANT FAMILIES
DISTRICT OF COLUMBIA
1930 CENSUS
NATIONAL CAPITAL PARK AND PLANNING COMMISSION

by and large; that an inhabited alley is a rot at the core of the block, and that it does have its influence throughout that square and throughout its neighborhood?

Mr. NOLEN. I think that is the point.

This map (not reproduced), Senator, I brought up because it might be of some interest here. It is one that was prepared a number of years ago by the commission, and is not strictly up to date; but it does show the prevalence of various types of housing throughout the District. The little bars are row housing. These pink areas are the most restricted or single-family home areas. The blue areas are the areas in which there can be apartments, semidetached dwellings, or community houses. It gives you an idea of the distribution of accommodations over the city.

I think that is all that is pertinent to the present discussion.

The CHAIRMAN. That is a very interesting showing. The committee is certainly under great obligations to you for giving it the information.

Mr. NOLEN. With your permission, I will select out of these—unless you desire copies of all of these maps—a few that I think particularly bear on the points in which you are interested. Would that be satisfactory?

The CHAIRMAN. I think that would be the way to handle it.

(The maps referred to are reproduced herewith.)

STATEMENT OF LOUIS JUSTEMENT, CHAIRMAN OF THE COMMITTEE ON HOUSING OF THE WASHINGTON CHAPTER, AMERICAN INSTITUTE OF ARCHITECTS

The CHAIRMAN. What is your position, Mr. Justement?

Mr. JUSTEMENT. I am chairman of the committee on housing of the Washington, D. C., Chapter of the American Institute of Architects.

I have here a very brief statement, Senator. I do not know whether I should read it or not, because it is not, perhaps, directly related to the question of rents which you are discussing; but it indicates a somewhat different approach, and what this chapter is doing. I might start it, and if you do not think it is pertinent I can discontinue it.

The CHAIRMAN. It is a brief statement, is it?

Mr. JUSTEMENT. It is a very brief statement; yes, sir.

The housing committee of the Washington, D. C., Chapter, American Institute of Architects, has not approached the housing problem from the standpoint of the fairness of rents. We believe that the highly competitive condition of the local building industry affords reasonable assurance that rents, generally speaking, will not result in exorbitant profits to building owners. I might amplify that by stating that you might find that rents will be high, but probably not yielding exorbitant profits.

Our study of housing conditions has had the following objects:

1. To determine the present conditions of slum areas and blighted areas.

2. To study existing trends which might tend to increase or decrease the size of such areas, or existing factors which might tend to ameliorate or aggravate conditions in such areas.

3. To study population growth and its effects in various portions of the city.

4. To study the present and future effects on taxation which blighted areas may have.

5. To study methods which would make possible the rebuilding of blighted areas.

6. To consider the advisability of advocating a District housing law similar to the New York State housing law.

7. To consider the effects of such a law not only as affecting blighted-area housing, but also as affecting real estate, building and financial interests, generally.

8. To study the possibility of building new housing for families of low income.

9. To study the methods advocated or results obtained with respect to housing problems in other localities.

10. To study methods of stabilizing construction and realty values through greater accuracy of construction inventories and rental statistics.

As will be seen from this outline of our committee's activities, there is very little that could be considered within the scope of an investigation of present rents.

With respect to the reason why rents do not decrease as rapidly as other living costs during times of economic depression, we might make the following observations:

1. Interest and taxes are established on the basis of values existing before the depression. Relatively small reductions in rent, or small increases in vacancies, are sufficient to wipe out the equity entirely.

2. Periods of greatest building activity seem to coincide with periods of high prices. During boom times even bankers become optimistic and anxious to make loans. Liberal loans in boom times automatically result in extensive building operations, with a vicious effect from the following points of view:

(*a*) The abnormal rate of building soon tends to result in overbuilt conditions, which are a contributing factor in hastening the arrival of general economic depression.

(*b*) The hight cost of building must be paid for in lean years as well as in good ones.

(*c*) The abnormally high percentage of the loan in terms of building cost creates excessively high fixed charges in relation to equity.

(*d*) The building industry as a whole has to expand its activities unnecessarily for a relatively short period of time, and when the tide recedes is left with a plant capacity out of all proportion to possible demand.

3. For the benefit of all concerned, buildings should be built in periods of low prices; that is, such times as the present. Initial cost would be less, and carrying charges would be permanently on a reasonable basis. Loans would be more secure, and rents would be lower. In spite of this, private construction lags during periods of depression, and construction for rent almost ceases, for the following reasons:

(*a*) Loss of income or reduction of income on the part of tenants causes "doubling up," which leads to vacancies, which leads in turn to foreclosures.

(*b*) Financial interests desire to improve their liquid position and preserve the properties on which they have already made loans from the effects of competition of additional buildings.

(*c*) Lack of confidence in the ability of even well-conceived projects to earn a return on the investment is just as great as was the overconfidence in boom times that even ill-conceived projects would prove to be a safe investment.

4. In relation to other living costs, it is to be expected that even in normal times rent should be higher than it used to be. The building industry is not yet organized to turn out standardized products by automatic machine and straight-line processes, such as are employed in the production of most articles of food, clothing, and luxury; and the cost of shelter is, therefore, relatively greater. Since it has been estimated that our present factories could produce goods at the tremendous rate which existed in 1929 and still have between four and six million unemployed, it is undoubtedly a blessing that the building industry is not yet fully mechanized. Until a way has been found rapidly to absorb the products of industry it would seem desirable that we be prepared to pay a proportionately higher price for shelter than has seemed reasonable in the past.

The CHAIRMAN. Thank you.

Mr. BRINKMAN. Mr. Justement, did not your organization have some plan to build some low-priced housing here? That is what we asked you to come down about.

Mr. JUSTEMENT. I did not know that that, particularly, was what you wanted.

Mr. BRINKMAN. The letter says:

> I understand you are chairman of the Washington Chapter of the American Institute of Architects' committee investing the possibility of obtaining R. F. C. backing for low-priced housing in the District. The subcommittee would be glad to have your views and recommendations at the hearing, and those of members of your organization.

There has been quite a bit of newspaper publicity about your organization. One heading reads, "Planners to back housing reforms"; and I just wondered how much progress you had made with your plans, and what your plan is.

Mr. JUSTEMENT. We have made quite a bit of progress; and the reason I did not venture to enter upon such an extended subject was that I did not know whether the committee would be willing to take the time to consider it. If you want a very brief statement of what we have done to date I should be glad to give it to you.

Mr. BRINKMAN. I think that would be pertinent to the subject of what can be done to provide low-priced housing.

The CHAIRMAN. Just a brief statement.

Mr. JUSTEMENT. We have come to the conclusion, as Mr. Ihlder has stated, that population growth is on the point of becoming stationary, and that the future building activities will probably take the nature very largely of rebuilding present building accommodations; in other words, that there is not an unlimited demand for new buildings. We have also come to the conclusion, of course, that there are large areas in our city, the same as in any other large city, which are blighted, and in which the condition of real estate will continue to depreciate, with a consequent loss in taxation.

It is, of course, obvious that the living conditions in those areas will become increasingly worse; and we have therefore tried to consider what possible solution there might be to the various problems that I have so briefly stated.

We find that it will be impossible to undertake any work in the nature of serious rebuilding of downtown areas without giving to some corporation the right of eminent domain. The reason that those areas are blighted, as Mr. Nolen has pointed out to you, is that they have ceased to be fashionable. People do not want to live there any more, and you can not change the character of the neighborhood by building an isolated building in that neighborhood. It will be necessary to build a wholly new community, involving at least one block, and probably several blocks. That immediately leads to the question of how to assemble that much property.

It has been found that it is impossible to assemble a sufficiently large piece of property to enable private interests to go in and rebuild those areas. Therefore we have recommended, and are prepared to ask to have introduced in Congress at this session, a bill which would give the right of eminent domain to limited-dividend private construction companies. A special privilege would be granted to certain companies—that is, the privilege of eminent domain—and in return for the granting of that privilege the companies would limit their dividends to probably 6 per cent on the equity, and they would be subject to regulation in exactly the same manner that public utilities are subject to the regulation of the Utility Commission.

In that respect we would be following a good deal what has already taken place in New York State since 1926. We are trying to consider the problem, in so far as possible, from a new point of view, not basing our findings entirely on what they have done there. but to try at least to benefit from the experience which they have had.

That, very briefly, is what our committee is trying to do.

Mr. BRINKMAN. And the Reconstruction Finance Corporation has money available for that purpose?

Mr. JUSTEMENT. The Reconstruction Finance Corporation has money available for that purpose; and it is stated in the bill that this money shall be loaned to States which have a housing law. As you probably know, New York State was the only State that had a housing law at that time. Since then Ohio has such a law, and bills have been introduced in Illinois and Pennsylvania, and we hope to introduce one here very shortly.

Mr. BRINKMAN. Has the Reconstruction Finance Corporation been urging communities to apply for the loans, do you know?

Mr. JUSTEMENT. I am not informed as to that.

Mr. BRINKMAN. I have here a booklet containing an address of Mr. Harvey Couch, a director of the Reconstruction Finance Corporation, to the National Conference on Construction, October 13, 1932, in which he points out that the money is available, and how it can be secured, and tries to make it easy to apply for these loans for construction purposes under the Reconstruction Finance Corporation act.

Mr. JUSTEMENT. I might state that what we are trying to develop here in the District is a law which will simply make it possible for private initiative to tackle this problem. As it stands now, it is a problem whch is absolutely incapable of solution by private initiative. That is the opinion of our committee, at least.

Mr. BRINKMAN. Your organization thinks there is a need for lower-priced housing here?

Mr. JUSTEMENT. I think that there is unquestionably a need for lower-priced housing, especially suitable lower-priced housing.

Mr. BRINKMAN. That is the attitude of the organization?

Mr. JUSTEMENT. That is our attitude; and I might add just one more word:

A great deal has been said here about alley dwellings. While recognizing that that is a problem, our committee believes that it is a problem which is not possible of solution in itself; that it probably would be a mistake to go in and try to reclaim individual alleys in individual blocks; that the correct solution is the entire gradual rebuilding of the older, blighted areas of the city.

The CHAIRMAN. Thank you, Mr. Justement.

Are the representatives of either of these organizations present.

The Washington Welfare Association?

The District of Columbia Federation of Women's Clubs?

The Washington Council of Social Agencies?

Is any one here who can speak for them?

(There was no response.)

The CHAIRMAN. Is Mrs. Archbold or Mrs. Hopkins here?

(There was no response.)

STATEMENT OF RAY A. CLARK, REPRESENTING THE EAST CENTRAL CIVIC ASSOCIATION

The CHAIRMAN. Mr. Clark, what organization are you representing?

Mr. CLARK. I am representing the East Central Civic Association. The problem of the housing situation, the alley situation, and the general subject has become of great concern to our organization. We meet in the Dunbar High School the fourth Friday of every month.

The CHAIRMAN. Are you connected with the Dunbar High School?

Mr. CLARK. Not with the Dunbar High School; no. Our association meets there. I am also with the Travelers' Aid Society and the Transit Boys and the Y. M. C. A. in their organization.

We have found out that so much of the suffering is due, of course, to the economic condition of the people. Their wages have been cut to such an extent, or cut off entirely, that even with the aid of the various organizations they are not sufficient to both house, clothe, and send the children to school.

Our greatest concern has been of recent months, this school year especially, with the delinquent children in school. It is a sad thing to say, but in the first six weeks of school we had 4,000 delinquencies.

The CHAIRMAN. That is, you mean, 4,000 that were not able to attend?

Mr. CLARK. Yes, sir. We have had an investigation with Miss Bentley, as you will see from the paper Mr. Brinkman has. We had a talk with her. We were there probably an hour or more, and we find out that it is due to an economic condition at home—not the desire of the parents, not the desire of the child to stay out of school or of the parent to keep the child out of school, but it is merely that

cold days come, and wet days come, and these people have not enough money to buy a change of clothes for this child to return to school the next day. There are places that the agencies have taken over, after investigations through the schools and through other organizations, and in some instances they have furnished food and no shelter; in other instances they have furnished shelter and no food. The people in some instances are doubling up. I know something about that myself. In one house which is across the street from me, I am sorry to say, there were 40 people in a 9-room house!

The CHAIRMAN. How many families were there in it?

Mr. CLARK. Senator, I can not tell you how many families there were. As best I could see it, they all moved from smaller houses, and were related and interrelated. There were 30 grown people and 8 or 10 children there all the time. Those men worked, mostly for the District, but they would go to work a day and be off a day. They would work two days and lay off two days. The result was that they had to chip in a little each month to pay for this house, and of course the children did not have a great amount of clothes or of food.

There are other conditions that we have gone into. We find that there are cases where a great deal of help would be given by the social agencies if the truth could be gotten out from the children in school; but a certain amount of pride geos with every child, I suppose, both white and colored, and they seem to evade the teachers when they put these questions to them. Yet we have found out that the teacher and the principal know exactly the condition; and in that instance the civic association has been in, and we have visited the schools. We have visited the principals. We have talked to them, and we are getting at these conditions through them, and finding out that these children have not sufficient clothes. So, therefore, we are gathering up old clothes and things to supply these children through the school clothes clubs, which distribute them to the children without being known to the children or the parents.

Then in many cases these same people do not know what day they will be evicted. Some families have been renting houses for a year or a year and a half at a time, and, due to the fact that they may only owe a few days' rent, they are threatened with eviction.

I ran upon a case here probably two years ago—a case out at Eighth and L Streets, in the alley there. The case was that of a woman who had been living in the house for 18 years. She worked for a wealthy family here, and had been retired. They left the city, and evidently sent her money a day or two late; but every month she had an eviction notice, which cost her $2 a month, and that threw her behind and behind every month.

Finally I was asked to go to her assistance by a friend of hers. I went to her assistance; but of course, due to the fact that the law allows those things, nothing could be done. I could not stop it. I could not do anything; so that had to go.

I was in court last month, I think on the 24th of October; and there was a particular case there of a white lady 71 or 72 years old who was behind about 10 days, and she was being put out. This was on Tuesday of the week. They gave her until Saturday to get out. She explained to them that the doctor forbade her to move; that she was sick with heart trouble and other complications; and

on the way out the woman collapsed at the door, because no leniency could be extended to her. Judge Mattingly had the case. He is a very good judge, but of course there was nothing he could do. I went over to Kann's to do some shopping, and was gone nearly an hour, and came back, and the woman was still there under a doctor's care.

Mr. BRINKMAN. Do you remember the name of that woman?

Mr. CLARK. I do not. I can probably get the name for you.

Mr. BRINKMAN. I think perhaps that is the woman who came to me, and I investigated the case.

Mr. CLARK. She is the one. She has two children.

Mr. BRINKMAN. Her son is with a circus.

Mr. CLARK. He is a widowerer. He is working.

Mr. BRINKMAN. He is working for a circus; is he not, out of town?

Mr. CLARK. She did not say what his employment was.

Mr. BRINKMAN. Is he not working out of town?

Mr. CLARK. Yes.

Mr. BRINKMAN. I investigated that case, and I found that she did not even owe the rent until the end of the month.

Mr. CLARK. She was only a few days behind.

Mr. BRINKMAN. She did not owe a month's rent until the end of that month unless she had contracted to pay it in advance, and she had not contracted. She had no lease and she was not legally liable for a month's rent until the end of that month. Nevertheless, the first of every month, if she did not pay the rent, they would serve her with an eviction notice, and she would tell them that her son, who was out of town, would send her the money in a few days; but they would serve that notice and make her pay the cost of $2 or $2.50, and then she would go down sometimes in the middle of the month and offer them half a month's rent, and they would not accept that. They would not accept less than one month's rent.

The CHAIRMAN. Who was that?

Mr. BRINKMAN. The name of that firm was Blundon & Co. I have the name of the lady in my office.

The CHAIRMAN. Have you any information as to what rent reductions are being made among your people, if any?

Mr. CLARK. Yes, sir; I have. We have gone into that situation deeply. There are some cases—in fact, most of the cases in the larger apartment houses, those that are the better apartment houses, like Howard Manor, and 1111 Columbia Road, under Saul, and a few of the others, where the tenants absolutely refused to pay the high rents. They said, "We will move out," and they got together and decided to move; and in Howard Manor they then cut the rents $2.50 and $5. At 1111 Columbia Road they did the same thing, but it was only by force of those people. I believe it was the Cafritz Co. that advertised last summer, in one of our papers, that they were going to cut the rents 8⅓ per cent, the same percentage that salaries were cut; but I talked to some of those colored tenants, and it did not affect them.

Mr. BRINKMAN. It did not apply to them?

Mr. CLARK. No, sir. I talked to some of the colored tenants. That is a case that needs investigation, because these people pay awfully high rents.

Mr. BRINKMAN. Generally, among the poor people—that is, the people who occupy $20 and $25 houses—are those rents reduced much?

Mr. CLARK. They are hardly reduced at all. They will not come down on them. They are in very bad shape.

Mr. BRINKMAN. Who are the principal agents for those houses?

Mr. CLARK. I would not like to call their names. I do not know.

Mr. BRINKMAN. I would not want you to testify unless you do know.

Mr. CLARK. In the alleys between K and New York Avenue, and the alleys back of First and U and Florida Avenue, and Six-and-a-half Street, down there, in the southwest, Carrollburg and Wilkberger Streets, up to Shaw Junior High School—a great many houses in there are in dilapidated condition. I do not see how the people in those houses can be a social asset to any community, living under those conditions, in view of what the children have to go through.

I went to visit a sick girl who lives between Sixth and Seventh, between Rhode Island Avenue and S Street. I went in that house. All the plaster was off the wall. There was no water in the house. There was a toilet outside. The girl was ill with lung trouble, and the girl who was well had five or six men visiting her. Naturally, as you can see, the moral condition is lowered under those conditions. That is bound to contaminate the people who live in better houses in the better sections.

Mr. BRINKMAN. Do you know what rent they paid for that house?

Mr. CLARK. I did know, because I took up the matter. As I remember, I think it was $20 a month. I am not saying that definitely; but, as I remember, it was $20 a month. The rents of those houses seemed to be fairly high, to my mind, for the condition they are in. If they were in better condition, if they were fixed up, painted up and made livable and healthful, I should say $20 is plentiful; but as it is the rents are $20, and the houses are in a very dilapidated condition. I wish you would go through and just see for yourselves and make an investigation; go into some of the homes, and see those children. They pay their rent, and then they have to go without food; and if they go without food, then they have no clothes. They have to go to school. The law makes every child under 16 years of age go to school. That child is compelled to go to school, and when he does not do that the school authorities are on him, and if they get on him then the law goes after the parents; so it is a merry-go-round of misery for those people all the way through.

Mr. BRINKMAN. And there was complaint made to your association about evictions?

Mr. CLARK. Yes; complaints were made about evictions of the people, for this reason: We said we were not or would not be concerned with people who are these chronic delinquents. We are not going to be bothered with them. Some people will beat you and not pay you anything. We are only concerned with those who have been faithful in paying their rent, and only ask at this particular time that something be done to help out those people where they have gotten out of work, or where something has happened that is beyond their control.

Mr. BRINKMAN. People who ordinarily pay their rent, but who find themselves now unable to pay it?

Mr. CLARK. Oh, yes; they are evicted just the same. I had the case of a white man on Seaton Street, telling me about the inflation in trusts which is compelling him to give up his house. He is Mr. Worlds, living at 69 Seaton Street. I got that complaint yesterday morning. That was from a white man. On account of the inflation of the trusts and things that were put upon his house, he was unable to maintain it; and now, on account of the 3-year renewal coming up on him——

Mr. BRINKMAN. Can he not renew it?

Mr. CLARK. Yes; with a curtailment of $500, which he has not.

Mr. BRINKMAN. He has to pay $500, and he can not raise it?

Mr. CLARK. He can not raise the $500; and in addition to that he has to pay 1 or 2 per cent on the trust.

Mr. BRINKMAN. Do you know who has the trust?

Mr. CLARK. I do not. I am just citing this condition to show how they go under. If a white man goes under, you can see how colored people go under, when any number of them are losing their homes.

Mr. BRINKMAN. They are losing their homes?

Mr. CLARK. Oh, yes.

Mr. BRINKMAN. In which they have a pretty good equity?

Mr. CLARK. Oh, yes; anything above the first trust you are subject to lose almost any time. I do not necessarily blame the real-estate men. It is the financial condition, the way the law allows the thing to go.

Mr. BRINKMAN. Are they being asked for curtailments?

Mr. CLARK. Absolutely.

Mr. BRINKMAN. Do you know of any companies that are asking them for curtailments?

Mr. CLARK. Yes; I am going down this afternoon to pay off one of them myself. Nesbit and Douglas, in the case of those houses that I know of, that I have handled myself, have asked for a curtailment. You will have to see Mr. Rose about the house he has. That situation, I notice, has been in vogue for the last four years—this curtailment of $500 upon renewal, which it is hard for people to get—or maybe less; and there are other places where I have made arrangements sometimes to pay off in installments for the people, but it was very hard for them. It adds $25 to $50 a month or more to their outgo, and their income is less.

Mr. BRINKMAN. Generally speaking, have there been very many reductions in rent among the colored people?

Mr. CLARK. Slight. The principal reductions they have had have been where they come in direct contact with owners, and owners more or less fear vacancies, of which there are a great many now. They have made concessions in many cases; but where they deal more or less with agents it has been very difficult.

The CHAIRMAN. We are much obliged to you, Mr. Clark.

Mr. BRINKMAN. I think it might be well to put in the record at this point a letter from the Health Officer of the District, Doctor Fowler, as to the condition of health among the colored people here in the alleys.

The CHAIRMAN. Very well.

Mr. BRINKMAN. He states the white death rate from pulmonary tuberculosis in 1930 was 59.7, approximately 60, per 100,000; and among the colored people in the District, it was 223.4, or about four times as high among the colored people that live in the places that have been described here. While in the dwellers in the alley houses, in the same period, the rate was 467 per 100,000; that is, it was approximately eight times as much the death rate from tuberculosis as among the white people, a death rate of eight times as much, approximately.

I think it would be well to put the whole thing in.

The CHAIRMAN. Yes.

Mr. BRINKMAN. And it also shows the death rate among the colored people here in Washington is 265, compared with the total death rate throughout the United States of 183; so there is a higher death rate among the colored people here than among the colored people throughout the country, generally, in the States.

(The letter referred to is as follows:)

GOVERNMENT OF THE DISTRICT OF COLUMBIA,
OFFICE OF THE HEALTH DEPARTMENT,
November 28, 1932.

Mr. O. H. BRINKMAN,
Counsel for Senate Subcommittee of the District of Columbia.

MY DEAR MR. BRINKMAN: In compliance with the request contained in your letter of the 24th instant relative to conditions among the colored people living in the alleys and the older sections of the city, the following figures are submitted:

The figures furnished are compiled on a basis of the 1930 population, as the 1932 records of the District of Columbia are incomplete and those for the year 1931 are now in the Government Printing Office, being bound in numerical order for filing. The data contained in those reports is therefore not available at this time.

The population of the District of Columbia for the calendar year 1930 was 486,869. Of this number 354,801 were white and 132,068 colored. The number of deaths from pulmonary tuberculosis alone during that year was 507, of which 212 were white and 295 colored, furnishing a death rate of 104.1 for each 100,000 of population. The white death rate was 59.7 and the colored 223.4 for each 100,000 of population.

The death rate per 100,000 of population residing in dwellings on the streets in the District of Columbia for the period named was 98.4 per 100,000 of population, while the rate among dwellers in alley houses for the same period was 467, all of which were colored. These figures show that the rate among the alley population was a little more than four and one-half times greater than in the street population.

The following statement shows the death rate from all forms of tuberculosis in a number of cities with populations approximately the same as the District of Columbia. It also shows the deaths from tuberculosis in all forms from the entire registration area in continental United States:

Death rates for certain cities for 1930 from tuberculosis (all forms) per 100,000 population

	Total	White	Colored
Registration area in continental United States	71.5	57.9	183.6
Baltimore	100.9	65.5	264.0
Philadelphia	81.2	58.6	255.4
New York	73.8	61.8	303.0
Buffalo	79.9	(1)	(1)
Boston	77.8	71.0	305.3
St. Louis	70.6	41.4	291.5
Kansas City, Mo	87.6	57.4	345.9
Richmond, Va	96.1	53.0	201.9
Washinton, D. C	117.1	62.0	265.0

[1] Not available by color.

The total population of the registration area of the United States for the calendar year 1930 as furnished by the United States Census Bureau is given as 118,560,800.

While the sanitary conditions in the alleys of the District are far from satisfactory, much improvement has been made in the past few years, as will be noted from the following copy of a statement submitted by the chief sanitary inspector of the Health Department:

NOVEMBER 25, 1932.

"Inspections of alley premises from year to year show a gradual improvement in the maintenance of them; for instance during the fiscal year 1928, with approximately 15,000 inspections, it was necessary to serve 2,861 notices for nuisances found. While in 1931, with 19,368 inspections, 2,519 notices were served, and in 1932, with 19,709 inspections, 2,458 notices were served.

"A survey of the inhabited alleys in the District of Columbia made in March, 1932, showed that there are 188 of them.

"There were 1,788 brick and 159 frame buildings used for dwelling purposes; total, 1,947.

"The 1,947 buildings contain 8,117 rooms and the approximate number of occupants were 5,988."

It is hoped that the time is not far distant when alley dwellings in the District of Columbia will be entirely eliminated.

If additional information is desired, please advise me and I will endeavor to furnish it.

Very truly yours,

WM. C. FOWLER, M. D.,
Health Officer.

The CHAIRMAN. Is there anyone else here from your organization?

Mr. CLARK. The other people were here, but they had to go.

The CHAIRMAN. I think you have covered it pretty well, pretty thoroughly and completely.

Miss Davis, did you say you would like to make a statement?

Miss DAVIS. Yes, I would, Senator; if you have time.

The CHAIRMAN. Just have a few minutes, if you will.

STATEMENT OF MISS SUSAN LAWRENCE DAVIS

The CHAIRMAN. Please state your address, Miss Davis.

Miss DAVIS. 1500 Vermont Avenue, NW.

The CHAIRMAN. What do you want to say to the committee?

Miss DAVIS. I wish to say, Senator, that I think a law should be passed to prevent the real estate people from blacklisting a person who has already paid their rent. I had that misfortune to overtake me a good many years ago, but it has been just as persistent as it was then.

I was living in a house and renting it partly furnished, and it was sold to Dr. Cary T. Grayson and his wife, and they came and asked me to rent it from them. My lease was out with the other parties. They agreed to furnish it. They did not furnish it only half way, and I bought furniture and put it in there, and when this depression, or this world upheaval, began in 1919, I got somewhat behind with my rent, but I had a good business.

I had my health institute in this house, and I was doing very well, but a great many people left without paying their bills, when the armistice was signed, and for the next year afterwards. Well, I had money coming in, but it had not come in when they went, without my knowing anything about it, and attached it, and attached the furniture that I owned in the house, and then I gave the house up.

Well, then, there came up here a lawyer called Ignatius J. Costigan—he came to Senator Sherman, who I believe was chairman of this committee, and got him to put in the Congressional Record an outrageous falsehood about me and about my business.

The furniture had been attached, and when Mrs. Grayson found she had to go to court to give me the balance of the $1,000 that was owing—I owed her around $500—but a lawyer, Mr. Carter, my lawyer, told me the furniture was attached, and to let him adjust it, but he never did.

But finally, after I went South, Mrs. Grayson put the furniture in storage, and told a friend of mine she was going to give it back to me, but Mr. Carter told me not to touch it, and I never did, though their bill was paid.

Then I started out, when I came back from the South, to rent a house and I believe—it does not matter who it belonged to—a gentleman, who was not an agent, but a lawyer for an estate—it was the Knox estate, I think—that was the first I knew that I had been blacklisted. I went to rent the place of this gentleman, and we talked about it a day or two, and he said, "Miss Davis, Doctor Grayson, John W. Thompson Co., and Mr. McSweeney have got a terrible blacklist against you, and I can't let you have it, because it belongs to an estate."

Well, Senator, I have been confronted with that every time I have tried to rent a house. Now, I forget about it, because troubles don't stay with me very long. I have so many friends and they will do anything for me that I forgot all about it and I started out and rented another house; but every time I rent from an agent, from the owner—I rent it from the owner—and after I rent it he gets busy and turns it over to Randall H. Hagner & Co., and I did not know that this man—I don't blame the Hagner Co. for any of my previous trouble, but I went up one day to pay my rent, and I found out Mr. McSweeney had gone to the Hagner Co. from Thompson & Co., and then he proceeded to tell this owner the same story, and the owner thought he had better rent it to somebody else, and he asked me for it and I let him have it.

So I have had a terrible time with those people; they have invaded my social relations, they have invaded my clubs, and shown that falsehood and later it was put in the Congressional Record of January 31, 1920, about me.

At the time, my Senator, Senator Bankhead, had just died, and I did not have any—and there was a man named Thomas Heflin came in his place, and he was not any Senator. I could not get anything in the world, and the first thing that ever came up—I have no ill feelings toward my Senator, but the first time they had an opportunity—I don't suppose they read that letter, but they had fully compensated me, and Senator Capper did it, himself, when I had an important matter before him, and I have no feeling about it.

Mistakes will be made, but I wanted to ask if there could not be a law made to keep some other women from this torture and torment like I have had in the last 10 years or more, on account of that blacklist. I have been confronted with it everywhere I have gone; and then it confronted me again down at court, and I want to call your attention to that. I had a civil suit, and I went down to the marshal, Ed C. Snyder, to get a paper one day, just a paper filed

in his office, and I asked him if I could not have it to take to my lawyer, who was sick, and he told me to go and get that paper for him, and when I went he would not give it to me, and he rang a bell under his desk, and Mr. Callahan came in and brought all of this stuff and put it down for Mr. Snyder. I said, "What has that got to do with the paper?"

But, Senator, I did not get the paper and so, therefore, I lost the suit finally, involving $25,000. So I think there should be a law passed that I might have had my day in court on those wrong things that were done to me.

The CHAIRMAN. We will see what the committee thinks about it.

Miss DAVIS. What did you say?

The CHAIRMAN. We will see what the committee thinks about it.

Miss DAVIS. Well, I just hope that, since I have lived now 10 or 12 years under that shadow, but I have managed to get along fairly well with the help of a great many friends, but it has caused me a great deal of suffering, and I am a woman's woman, or they would have never done me that way, and I don't want them to do another woman that way that comes along through the District of Columbia. I regard it as a part of Alabama, where I lived.

I know you have looked after your part of it, Senator, splendidly, and we all appreciate that, but if there is any way that you can prevent these things from happening, from furnishing a regular blacklist of people who may get behind with their rent—but they got twice as much as I owed them, and as far as I am concerned, they have it yet. I thank you.

Mr. BRINKMAN. There is just one more, Senator. The secretary of Columbia Lodge No. 174 of the International Association of Machinists, Mr. Hurley, or Mr. Barnes. Mr. Barnes, do you want to make a statement, or put your letter in the record?

Mr. BARNES I would rather put the letter in the record

Mr BRINKMAN We are in receipt of a letter from Columbia Lodge No 174, International Association of Machinists, which says:

I am in receipt of your letter of the 21st instant, in which you invite Columbia Lodge No. 174 to present data to the subcommittee of Senator Capper's Rent Investigating Committee for the District of Columbia.

In behalf of the committee appointed by Columbia Lodge No. 174, International Association of Machinists, I have been instructed to inform you that due to certain delays in getting our questionnaires placed before our members, the committee, up to this time, has not been in a position to collect authentic data, but requests that Mr. Barnes be accorded the privilege of making a partial report now, and at a future hearing of Senator Capper's Rent Investigating Committee, the committee of Columbia Lodge No. 174 be accorded the opportunity of presenting a complete report pertaining to the data furnished through the questionnaires that have been distributed.

The CHAIRMAN. You will make a report to us later on?

Mr. BARNES. Yes.

The CHAIRMAN. Is there anyone else here who has anything to say to the committee?

Mr. MCKEEVER. Does this involve office buildings and business properties?

The CHAIRMAN. The committee did not have particularly in mind that phase of the problem. We were interested mostly in the Government employees here; but, of course, as you have observed it

to-day, it broadened out a good deal, and we get all kinds of slants on this situation. If you have anything to say along that line——

Mr. McKeever. I wanted to get you to say, if possible, whether it did or not.

Mr. Brinkman. The resolution itself I do not think covered office buildings. I know I made no study of that question.

Mr. Lusk. Mr. Chairman, would it be possible to definitely set aside an hour or an hour and a half for the presentation of the report that the real estate board has got me to prepare?

The Chairman. Yes, sir; could you be here at 10.30 to-morrow morning?

Mr. Lusk. Yes; may I be sure that we will start right at the beginning?

The Chairman. Yes.

Mr. Rush. I might say that the real-estate board stated that it would have its report available and ready to present to Senator Copeland during the hearing that was held here by December 1. Now, that report was ready, sir, yesterday, and it is in the hands of Mr. Lusk, and it is in detail.

The Chairman. We are very much obliged to you for this prompt work. If there is no one else here that wants to be heard, we will adjourn until 10.30 to-morrow morning.

(Whereupon, at 4.30 o'clock p. m., the committee adjourned until to-morrow, Friday, December 2, 1932, at 10.30 o'clock a. m.)

RENTS IN THE DISTRICT OF COLUMBIA

FRIDAY, DECEMBER 2, 1932

United States Senate,
Subcommittee of the Committee
on the District of Columbia,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present, Senators Capper (chairman), King, and Copeland.

Present on behalf of the committee, O. H. Brinkman, Esq., its counsel.

The Chairman. You may proceed, Mr. Brinkman.

Mr. Brinkman. Mrs. Wrenn, who has been under a doctor's care, is present this morning under subpœna. I think we should call her first and let her go.

The Chairman. Very well.

TESTIMONY OF MRS. MARGARET WRENN

(The witness was duly sworn by Senator Copeland.)

Mr. Brinkman. Will you state your name and address for the committee?

Mrs. Wrenn. My name is Mrs. Margaret Wrenn; 3711 Benton Street, apartment 4.

Mr. Brinkman. From whom do you rent that apartment?

Mrs. Wrenn. Thomas J. Fisher Co.

Mr. Brinkman. They are the agents?

Mrs. Wrenn. They are the agents.

Mr. Brinkman. Where did you live before you lived at this place?

Mrs. Wrenn. 1305 Potomac Street NW., apartment 21.

Mr. Brinkman. From whom did you rent that apartment?

Mrs. Wrenn. J. C. Weedon Co.

Mr. Brinkman. When did you move from that place?

Mrs. Wrenn. It was between the 28th of October and 1st of September. It was not just on the 1st, but my rent started on September 4.

Mr. Brinkman. You found it necessary to move from that place because of certain conditions?

Mrs. Wrenn. I did.

Mr. Brinkman. Did you have any trouble in moving from that place?

Mrs. Wrenn. I found this apartment and also another apartment. I told the Fisher Co. I would like to rent the apartment and gave my references.

Mr. BRINKMAN. You had always paid your rent?

Mrs. WRENN. I tried to pay it the day it is due, unless something comes up that I would hold it back.

Mr. BRINKMAN. In this case did you owe anything?

Mrs. WRENN. I called Weedon Co. on the 15th of August when I came back from my vacation and found conditions in my apartment that I did not care to live there any longer, and told them I was moving if I could find an apartment that day; that I would move out on either Wednesday or Thursday. I sent a check for half a month's rent which they accepted. The gentleman I called did not tell me I could not go. I told him I was vacating on the 1st day of September. When I went down to tell the Fisher Co. I would like to take their apartment and gave them my references, they told me that Weedon & Co. did not care to release me.

Mr. BRINKMAN. And that they could not rent the apartment to you?

Mrs. WRENN. They did not say they could not, but said Weedon & Co. did not care to release me because I had not given sufficient notice.

Mr. BRINKMAN. Then what did you do?

Mrs. WRENN. I called up Weedon & Co. and talked to the gentleman I had always done business with. He told me the law was I should give 30 days' notice. I said, "Not under the conditions I am in here." I said, "You accepted my check. Why didn't you call me and tell me I had to give 30 days' notice?" He said that was the law. I told him I would see you the next morning up at your office, because by that time I had gotten pretty mad. He told me to call Fisher Co., which I did, and they told me Weedon Co. had released me and so I moved. I think you understand the circumstances, Mr. Brinkman, why I was leaving. I was certainly justified in moving without giving 30 days' notice. I am here under official subpœna from Mr. Brinkman and will say that I am ill and should not be here.

Mr. BRINKMAN. You have no resentment against me?

Mrs. WRENN. No; none whatever.

Mr. BRINKMAN. I excused you yesterday, did I not?

Mrs. WRENN. Yes, you did; and I have a certificate from my doctor saying I was in bed yesterday.

Mr. BRINKMAN. I am sorry we had to bring you here, but this is quite an important matter.

Mrs. WRENN. I am very glad to be here to help you out. This is the positive truth and I think Weedon & Co. will stand up for it, too. I think I have all my checks showing I paid the rent on time. One other time I was going to move and sent a check for two weeks' rent. They accepted it.

Senator COPELAND. Mr. Brinkman, will you give us the résumé of this lady's testimony and its significance?

Mr. BRINKMAN. The testimony of the real estate operators that we examined at previous hearings, and particularly in answer to questions that you asked, Senator Copeland, was that there was no sort of combination among them and particularly there was no such thing as might be called a blacklist on tenants; that is, they were free to move from one apartment to another if they could reduce

their expenses or get cheaper rent; that there was a "dog eat dog" attitude, as one of them expressed it, between the agents; that they were all in lively competition and that tenants could get the cheapest rent the market afforded; that apartments rented freely and without any restriction or combination among the agents. They all vigorously denied that there was any blacklist or ban on tenants who wanted to move from one apartment to another.

The testimony of this witness has been that that testimony given by the real estate men under oath is false; that there is in existence an arrangement among members of the Washington Real Estate Board whereby they will not accept as a tenant any person who has a lease with another member of the board; that they refuse to rent such tenants until they secure a release from the other member of the board from whom they had been renting, and that they communicate with each other and have an arrangement, an interoffice arrangement, whereby they effectually bar from the new premises any tenant who has not secured a release from the old agent or landlord.

The testimony further shows that in some cases the owners of the properties have been unwilling to follow that arrangement; that the arrangement is one on the part of the agents probably for the protection of their commissions and that the owners are averse to that arrangement and are willing to rent apartments directly to the people even where their agents had declined to rent to them; that the owners are anxious to fill up their buildings, but the agents are not so anxious and adhere to this agreement among themselves, the agents, for the purpose probably of protecting their commissions.

There is further in evidence a letter on the letterhead of the B. F. Saul Co., from the rental department, signed by the man in charge of the rental department of the Saul Co., one of the leading real estate agents of the city, stating that under the rules of the Washington Real Estate Board they are not permitted to rent to a tenant unless he has secured a release from the previous agent.

Senator COPELAND. That is the matter presented in evidence yesterday?

Mr. BRINKMAN. Yes.

Senator COPELAND. Do you feel that this particular witness bore out your conclusion regarding this agreement between the various rental agencies?

Mr. BRINKMAN. Yes. It was only through a sort of compulsion, when she said she would resort to the power of this committee, that she did secure that release.

Senator COPELAND. I congratulate the committee that it has that power.

Mr. ROGER J. WHITEFORD. May I ask Mr. Brinkman a question and make a statement of the board's position?

Mr. BRINKMAN. I think it ought to appear first who Mr. Whiteford is.

Mr. WHITEFORD. I am attorney for the Washington Real Estate Board. With respect to this witness I want to ask you, Mr. Brinkman, as a lawyer if you did not understand that the contention was a legal one, that she having paid past the period of her tenancy,

she became a tenant by the month and that Weedon Co. had legal grounds upon which not to release her?

Mr. BRINKMAN. My contention from the legal standpoint, if you want to bring up a technical legal point, is that the conditions under which she had moved constituted a constructive eviction; that the conditions had made the place uninhabitable.

Mr. WHITEFORD. Then she ought not to have paid the half month's rent.

Mr. BRINKMAN. Mrs. Wrenn is now willing to tell what the conditions were. I did not ask concerning that before. I did not want to embarrass the owners or agents of the building.

Mr. WHITEFORD. That is all right so far as I am concerned.

Senator COPELAND. As I understand it, we are not interested at this time in all these legal matters. What you are wanting to show by this witness and others you have called recently, Mr. Brinkman, is that there is in existence an arrangement between these real estate operators?

Mr. BRINKMAN. That is right, a combination among them.

Senator COPELAND. It is not a question of whether this lady violated any laws, or whether there was a legal hold on the part of the original renter; but the question is was there or is there an agreement or understanding which is in effect a blacklist. That is what you are trying to develop, is it not?

Mr. BRINKMAN. That is true.

Senator COPELAND. This witness has indicated by her testimony, apparently, that there is such an arrangement. Whether she is holden or not, I do not suppose that is really pertinent.

Mr. WHITEFORD. I will make a statement that will explain the position of the real estate board with respect to this which may eliminate all this matter of any contention.

The CHAIRMAN. The letter to which you referred, written by B. F. Saul Co. on June 28 is before me. This is the information which the letter contains which to my mind is very pertinent—in this letter signed by B. F. Saul Co.:

> We understand you have a lease on your present apartment which does not expire until September, 1932, and as your present agents, Thomas J. Fisher Co., are members of the Washington Real Estate Board it will be impossible for us to rent to you until you secure a release from them.

It seems to me that shows very clearly that there is an agreement among the real-estate men who are members of the Washington Real Estate Board.

Mr. WHITEFORD. That is true as stated in the letter, and I will explain it and tell just what that means and what the arrangement is. There is no dispute about the facts about it. Mr. Bowie is present. May he explain? It is credit information that a department store or a bank or anybody else has.

Senator COPELAND. I expect you want to proceed in an orderly fashion, Mr. Brinkman. Is it agreeable to you that this diversion should be taken?

Mr. BRINKMAN. I would like to ask a question before we proceed further. Meantime we might excuse Mrs. Wrenn.

Mrs. WRENN. I will be very glad to tell the reasons why I moved. It is no reflection on me. Mr. Brinkman knows why I moved.

Mr. BRINKMAN. It might reflect on the property and it might reflect on her, but if they want it brought out I am perfectly willing if there is any question whether she had a good reason to move.

Mr. WHITEFORD. I have no doubt she had.

Mrs. WRENN. I called the Weedon Co. on the morning of August 15, the morning my rent was due, and told them I was moving. I must have had a pretty good reason when I came home on Sunday night to be moving on Monday—don't you think so?

Mr. BRINKMAN. The reason was that there was an insanitary condition there?

Mrs. WRENN. There certainly was; more than one.

Mr. BRINKMAN. That is all.

The CHAIRMAN. We are very much obliged to you, Mrs. Wrenn, for appearing here this morning. You may be excused now.

(Witness excused.)

Mr. BRINKMAN. If Mr. Whiteford is going to make a statement I would first like to have him identify this book [indicating], which is entitled "Washington Real Estate Board, Constitution and By-Laws, Code of Ethics, Schedule of Commissions, October 1, 1931," and ask whether that is still in effect.

Mr. WHITEFORD. I do not know. Mr. Bowie may know.

Mr. BRINKMAN. Let Mr. Rush identify it.

Mr. CHARLES J. RUSH (secretary of the Washington Real Estate Board). As I said day before yesterday, this was introduced in the record as the official schedule of the Washington Real Estate Board, the code of ethics of its members, and rules pertaining to the division of commissions and the general commission schedule in effect. This was adopted, as shown on the printed cover, October 1, 1931, superseding all rules and regulations in effect prior to that date and now is the official publication of the Washington Real Estate Board. Extra copies are here for each member of the subcommittee.

Mr. BRINKMAN. Does that contain anything about a so-called blacklist?

Mr. RUSH. There is no such thing.

Mr. BRINKMAN. Does it contain anything of that agreement?

Mr. RUSH. No, sir.

Mr. BRINKMAN. About rules?

Mr. RUSH. I can not say definitely, but I do know this——

Mr. BRINKMAN. There it is. Let us find out whether it contains anything of that agreement.

Mr. RUSH. Take your time and do so.

Mr. BRINKMAN. You ought to know.

Mr. RUSH. I explained to the committee, to Senator Capper and Senator Copeland, that on October 1 I took this job as secretary of the Washington Real Estate Board. Since that time I have not had the opportunity to become 100 per cent familiar with everything going on in the organization work, but I do know what the organization stands for because I have been a secretary and newspaper man for 10 years and I know the general code and procedure of the organization. I know that what Mr. Brinkman is attempting to prove here, that a blacklist exists, is a misstatement of fact.

Mr. BRINKMAN. I am asking whether this contains anything about this agreement among real estate men who are members of the board

that prohibits one from accepting as a tenant one who has not been released from the previous rental arrangement.

Mr. WHITEFORD. I submit it does not make any difference whether it is in there or not. Mr. Bowie is ready to testify what the facts are about it.

Mr. BRINKMAN. We want to find out whether there are any agreements outside of this book.

The CHAIRMAN. I think it is pertinent.

Mr. WHITEFORD. Mr. Bowie says it is not in the book and never has been.

The CHAIRMAN. We have another witness whom we can examine for a few moments. In the meantime you can examine that book and state later about it.

Mr. RUSH. They have never heard of such a thing.

The CHAIRMAN. Very well. We will proceed with the next witness. Meantime you can examine this book and let us know later about it.

Mr. Woodhouse is a member of the committee of the national recovery council which has been inquiring into the emergency relief problem of the District of Columbia. He has some information which he thinks ought to be presented to this committee. We will give him a few minutes to make his statement if that is agreeable to the other members of the committee.

Senator COPELAND. It is perfectly agreeable to me.

STATEMENT OF HENRY WOODHOUSE

The CHAIRMAN. Will you explain just what this organization is with which you are connected and what it is attempting to do?

Mr. WOODHOUSE. I shall be glad to submit that in writing. I have a statement of all that the council has done and is doing.

Mr. BRINKMAN. May I suggest that it may be made clear for the committee that he is not here at the request of the committee.

The CHAIRMAN. I thought I stated that. He appeared here and asked permission to make a statement which he thinks has a bearing on some of the problems that we are investigating. He wants to lay before this committee the information he has gathered for his own committee on their own motion. You may proceed, Mr. Woodhouse.

Mr. WOODHOUSE. Since 1916, when the Governor of the State of New York appointed me delegate of the State of New York to the City Planning Conference held under the auspices of the American Civic Association here in Washington, I have been interested in the civic affairs of the District and have participated in a number of such matters, among other things the city planning and the matter of the airport, which has nothing to do with your committee to-day. However, that led me and my committee and council at different times to study the conditions of the Capital. Last June it was suggested that the President would welcome if our council would invite the B. E. F. to move out of the Capital because——

Senator COPELAND (interposing). What is it the President would welcome?

Mr. WOODHOUSE. Would welcome it if my committee and myself would invite the B. E. F. to move out of the Capital and to move to the 2,000 acres of land I owned south of Alexandria, called the Washington Air Junction.

Senator COPELAND. How was he going to move them out of Washington and down there—by use of the militia?

Mr. WOODHOUSE. By our acts. We were to be good citizens and were to solve the problem of the Nation and move the B. E. F. to the George Washington Air Junction.

I extended an invitation in writing to the President to use the place provided that facilities were presented for housing and food for the B. E. F.

Senator COPELAND. You mean the President of the United States?

Mr. WOODHOUSE. Yes, the President of the United States, President Hoover. On June 14 the invitation was extended officially and on June 25th I was advised by the Reconstruction Finance Corporation that the President had referred the matter to them and that under the law they were not able to provide any facilities for camping the B. E. F. The matter was taken up again by President Hoover with different agencies and in connection with that I was called to try to provide, from a civilian standpoint, whatever could be provided to move the B. E. F. from the Capital. At that time and thereafter we began a study of housing facilities and relief facilities of the Capital.

On October 30 a report was completed which includes the findings of the national emergency council, after consulting with the following: The District Commissioner, General Crosby; the chief of police, Major Brown; Corporation Counsel Bride, and other commissioners. All the agencies working for relief mentioned by the District Commissioners were interviewed. The housing facilities for the destitute and the poor were investigated. It was found that there were facilities for only 2,300 people and that there were 40,000 practically homeless.

Senator COPELAND. That is, in the entire District you found facilities for how many?

Mr. WOODHOUSE. For 2,300 people only. I said relief facilities for housing and sheltering poor people, destitute people.

The CHAIRMAN. That included the Salvation Army and similar organizations?

Mr. WOODHOUSE. Yes. The Salvation Army has facilities for only about 50 to 100—that is, that is all they had at the time. Since then they have added a few beds. The municipal lodging house has facilities for 53, which they extended to people destitute, at the rate of three nights a week.

The CHAIRMAN. You do not claim there are 40,000 here who are homeless?

Mr. WOODHOUSE. I received figures from the District Commissioner first, from the Welfare Board, and I investigated the matter; that is, I called for every agency that was listed as being in relief work and found that they did not have facilities for more than 2,300 total, and that there were 40,000 destitutes.

The CHAIRMAN. Out of work and had no means of support, I suppose?

Mr. WOODHOUSE. They made it more emphatic than that. They said they were positively destitute and that a great many had been

thrown out of their lodgings and that they only had facilities for 2,300 to take care of them.

The CHAIRMAN. There might be a large part of that 40,000 who would have some place to sleep and some place to stay.

Mr. WOODHOUSE. I inquired about that, Mr. Chairman, and the answer was that they could only tell me about the people who were residents. The people who were residents were defined as the people who were in the main self-supporting prior to October 1, 1929, or were domiciled in the District of Columbia prior to July 1, 1931. Anything after that, if a person was not self-supporting prior to October 1, 1929, or if he or she or the family had lost its domicile or their domicile prior to July 1, 1931, they were not supposed to receive anything from the Welfare Board because the means were so limited.

Senator COPELAND. Just a moment, please, Mr. Woodhouse, before you proceed further. Yesterday the gentleman from the Welfare Board, Mr. Halbert, stated that the Welfare Board is practically supporting between 5,000 and 6,000 families. He said they have had applications from 12,000 families. The estimate was that the number of unemployed in the city is something like 45,000. But, Mr. Woodhouse, when you say that there are facilities for 2,300 I assume you mean by that that over and beyond the unemployed and the families being assisted, there remain in the community quarters for about 2,300 persons?

Mr. WOODHOUSE. No, Senator Copeland. It is the other way about, that after they have taken the 12,000 or 14,000 or 15,000 families and figured them at an average of four to six people to the family, they find that they only have, to take care of those who are homeless or may become homeless, shelter for 2,300 people, and therefore it would leave a deficit in sheltering of something over 30,000.

Senator COPELAND. You do not mean that there are 30,000 to 35,000 persons in this community who have no place to sleep?

The CHAIRMAN. They are being taken care of in some way, are they not?

Mr. WOODHOUSE. Probably some sleep in the street and some with friends, but those are the applications the Welfare Board received. I have to go back to the Welfare Board and the facilities they have. They gave me the figures and I investigated what they have. If the Welfare Board has taken care of those people I do not believe, since the miracle of the loaves and fishes of Biblical days, anybody has attempted to take care of the many people with so little.

The CHAIRMAN. The picture brought to us yesterday by Mr. Halbert was bad enough. It was shocking, but I do not believe it was anything as bad as you present.

Mr. WOODHOUSE. May I submit the situation this way: I am supposed to be a scientific economist and I am supposed to deal with what people need every day to live on. Congress gave $350,000 to the District of Columbia. Let us suppose the District began to spend this money on August 1. If they had 40,000 people in need and they had spent only 25 cents apiece on them, it would have amounted to $10,000 a day. It would have amounted to $300,000 a month at only 25 cents apiece. I submit 25 cents does not represent great purchasing power on the part of an individual.

The CHAIRMAN. You are certainly right.

Mr. WOODHOUSE. The District has been attempting to take care of 40,000 people with that $350,000. I am not a resident of the District. I have been interested in the welfare of the District. I believe I own the largest collection of historic records of the District of Columbia since it was founded. It is, I believe, the largest collection of Washingtoniana. Therefore I could tell you about the economic conditions of the District of Columbia since the founding of the District. I have not found any record of conditions as shocking as I find to-day. Nor such lack of sufficient relief to meet an emergency. The $350,000 granted by Congress was inadequate. Twenty-five cents a day would amount to $300,000 a month, and the first month would have taken the entire appropriation which the Congress gave to the District for aid. Therefore I repeat it was short of the miracle of the loaves and fishes that they have taken care of so many people since August 1.

The CHAIRMAN. Your appeal is for larger support financially on the part of the Congress?

Mr. WOODHOUSE. For the District. Also I submit to you that to-morrow or the day after there are expected here in the District armies of marchers. The figures of how many there will be differ. The Department of Justice and the White House secret service have stated at different times that they might amount to as high as 200,000 before March 4.

Mr. Chairman, we are facing exactly the same situation that London was facing on the eve of 2,000 marchers going into London. Fifty thousand in London joined the 2,000, and they had riots which cost more than if they had taken care of feeding and housing those people outside of London. Realizing that this is the Capital of the Nation and that there is danger that national affairs may become paralyzed due to the paralyzing of legislation and of the orderly procedure of national affairs, we have urged that three camps be established outside of the Capital where the marchers can drive their cars. I do not believe it would be wise to offer them food and lodging because that would encourage them; but I do believe that if you have three camps it would help the situation. Have one on the Maryland side. Camp Meade may be used for that purpose and it is ready for that. I visited it Sunday before last. Camp Meade has 15 of the largest mess room or kitchens; it has facilities for camping. Then I also visited Fort Hunt as a possible hospital on the Virginia side.

May I state that I visited those places because the Federal officials told me that nobody except a civilian could undertake such a thing. The President stated that it was not a matter for the White House to consider until a petition was presented by somebody. Thereupon I was sent to the District Commissioners and after a conference they stated they could not consider anything outside of the District of Columbia. There was nothing that could be done except by volunteer civilians in solving the problem.

I submit that it may be well to consider at this time the matter of establishing three camps, one on the Virginia side, one on the West Virginia side, and one on the Maryland side, where the marchers can drive in, and from there the delegation can come to the Capitol to present their petitions, so that they will not paralyze the traffic and business of the District of Columbia.

Senator COPELAND. Mr. Woodhouse, certainly nobody can be more interested in human welfare than I am.

Mr. WOODHOUSE. Granted, Senator Copeland.

The CHAIRMAN. Senator Copeland's record has shown that to be the fact for a good many years.

Senator COPELAND. I do not boast of it, because it is not a pleasant experience to go into the homes of the poor and know about these things. But, Mr. Woodhouse, do you think that the Government of the United States should encourage the marching to the National Capital of thousands of citizens? Those people should be taken care of in their homes by their local communities. It is utterly wrong to think that we here at the National Capital, at the Capital of the Nation, should provide quarters and practically invite thousands of such persons to come here. Everyone has the right to petition Congress. That is a constitutional privilege of the citizen. A "petition in boots" should receive the same consideration and be given the same consideration that any other petition should, but I do not think we should herald it abroad that we are preparing in Washington great camps where tens of thousands and perhaps hundreds of thousands of persons can be accommodated.

The problem of human relief is a local problem. Every community, every city, every county, every State—these local communities have the responsibility to take care of their poor. It is not right and it is not just that the people should come to Washington, that they should come to this community which is distinct and separate from any other because it has no right to bond, it can not borrow money. Washington does not have a penny except such as is given it by the Congress of the United States and we in the Congress propose to see to it that the citizens of Washington do not suffer. That is our responsibility to Washington. But I would say it would be very wrong for us to set up here establishments with conveniences and invite here and encourage to come here hundreds of thousands of our destitute citizens from all over the United States.

You, Mr. Woodhouse, and I come from New York. Our problem is to take care of our people in New York. If New York fails, if the city fails or if the State fails, then there is an appeal to the Federal Government; but we will not fail and we must not fail. Our responsibility is there. The plea you are making should be made at home to our people to take care of our own poor. If we should build up these camps here as you suggest and invite thousands of citizens to come here to be fed at Federal expense, we are going far beyond the purposes of government. Not until the local government fails should an appeal be made here at Washington.

I do not want to see those people coming here, because it constitutes a serious menace to health. We can not bring thousands of people together and keep them in health without sanitary provisions. To do such a thing would institute hazards and the worst kind of hazards as regards public health. If we should have an epidemic of dysentery or typhoid fever or diphtheria or smallpox in any of these camps, we do not know what might happen or what might be the ultimate results. It is not the way for human beings to live and not the way for our citizens to live. Each State and community should take care of its own poor in its own homes.

The gentleman who appeared here yesterday from the public welfare board, Mr. Halbert, pointed out to us in a most convincing way the responsibility we have to the citizens of the District, and I am sure the Government is not going to fail in that responsibility. When we appropriated $350,000 last year, it was with the distinct understanding that that would take us through until Congress assembled again. If there is need for more money to take care of the poor of the District, that money will be forthcoming. But so far as building up camps and that sort of thing as you have suggested, I think it is very wrong that we should even think of doing such a thing. It is the business of the local communities to take care of their poor. I want my own State of New York to go the very limit in the expenditure of money to take care of the poor of New York, but the poor of New York ought not to be sent down to the Capital of the United States to be taken care of by the Federal Government.

Mr. Chairman, I apologize for this outburst, but that is the way I feel about it.

Mr. WOODHOUSE. I greatly appreciate what you have said, Senator Copeland. I am from New York and I know the amount and kind of work you have done. But, Senator, in New York we are spending $10,000,000 a month now, if you please, and yet the other day people were starving and freezing in New York—why? Because we did not have the facilities, we did not have the means, we did not have the relief. We only had the expression of the desire to do it. Our heart was in the right place, but the means had not been provided.

Senator COPELAND. Do you think that the rich city of New York and the rich State of New York, both having their poor and destitutes, should come to the Federal Government and ask that there be set up in the Capital of the Nation camps to take care of the poor and hungry from the city and State of New York? I am sure that you and I both have greater respect for our city and for our State than to think it is the duty of the Federal Government to do that. It is our local responsibility and we are just as well qualified to deal with it as is the Federal Government. If we are not, then the whole system of American government has broken down.

Senator KING. I have been delayed in reaching the committee room and only entered a moment ago. You might state to the gentleman, too, Senator Copeland, that New York pays a very large part of the taxes of the Federal Government——

The CHAIRMAN. Yes; about one-third, I believe Senator Copeland has stated.

Senator KING. And if we make an appropriation here we will have to go to New York and collect a very large part of it; that a considerable part of it will be lost in the collection and transmission and in its expenditure again, so you had better expend it directly in New York yourselves.

Mr. WOODHOUSE. Senator King, I did not state I was making an appeal for New York. I am making an appeal to aid the District of Columbia, which is faced by an invasion of armies of unemployed coming from every State of the Union and coming because we have not provided work for them to do.

There are 15,000,000 people to-day who have no purchasing power in the country. The Congress last year provided some $2,500,000,000

to the Reconstruction Finance Corporation for direct relief. You know, gentlemen, that only 25,000 people up to date have been given help. You know very well that this is just one-tenth of the number of persons let out of work by New York alone or any industrial city during the last few months. Gentlemen, you are facing four armies of unemployed marching on the Capital and you are thinking in terms relief confined within the boundaries of the District of Columbia.

Senator KING. Let me interrupt. I may misconceive the purpose of this hearing. I supposed this hearing was to deal with rents in the District of Columbia. Has it now been elaborated?

The CHAIRMAN. Mr. Woodhouse came here and stated that he and his committee had made extensive inquiry into the situation here going back for nearly a year, and he presented some report which does indicate that their inquiry is beyond that, having to do with this invasion or this hunger march that is coming to-morrow or the next day. He had some information that was really worth while, as it seemed to me.

Senator COPELAND. Yes, I think so. He pointed out the fact that he had made a survey, but he finds only 2,300 available homes or beds for the unemployed.

The CHAIRMAN. For your information also, Senator King, Mr. Woodhouse admits that he thinks the District Government and the Federal Government ought not to be required to provide sustenance and food for those people while here, but we should have a place for them to go and to be sheltered.

Mr. WOODHOUSE. Outside of the District, so they will not paralyze the District and the business of the District as they did last June. In other words, it is a defensive measure. I am not asking for relief for anybody. I am aware the subject is a very sensitive one and it leads to taking for granted that somebody is asking for relief. It is not that at all. It is a defense measure for the District of Columbia. For instance, the other day before the commissioners I asked them how they were going to keep out of the District the marchers. I said, "I am after all a property owner and I would like to know just to what extent I am going to lose, for instance, some very fine historic pictures I have here in the District." They said, "We will keep them out. I said, "How will you, when you have been trying to keep the starlings out of the District for 20 years and never have succeeded?" Just then a starling flew into the office to demonstrate that it could not be kept out of the District.

I suggested, and I repeat the suggestion, and I am willing to contribute the use of 2,000 acres to make one camp free of charge. The Government has always been a recipient from our committee. We always pay the bills when we suggest anything. We even organized the air reserves of the District Militia in 1915 and I paid the bills for the District because they did not have any money.

Coming back, you are now facing an emergency, and beginning with Sunday you are going to have unemployed armies marching to the Capital. If you permit the Capital to make the mistake the city of London made, which allowed 2,000 people to come into the city and then 50,000 to join them, you will have the same riots they had in London and it will cost more than it would cost to take care of them. I do not mean to feed and camp them. No; I propose that they be provided a camp outside of the District where they can go and stay while delegations come to visit you at the Capitol. That is one suggestion. I know you might have an alternative. You can provide jobs where they are and keep them there, but I am afraid that is beyond the purpose of this committee.

May I present these reports for the information of the committee?

The CHAIRMAN. You may leave them with the clerk of the committee.

Mr. WOODHOUSE. Very well.

STATEMENT OF GROVER W. AYERS

(The statement and reports referred to in the above testimony are as follows:)

THE NATIONAL RECOVERY COUNCIL

The National Recovery Council was the name adopted by a small group of scientists and economists who met from time to time in the past three years to discuss the economic conditions and work out plans looking to the restoration of national recovery.

The leaders of the group have been: Mr. Henry Woodhouse, editor of Scientific Age, chairman of the International Science Forum, eminent author on international and national affairs, member of Mrs. Franklin D. Roosevelt's committee on the Federal city, appointed by the Governor of New York in 1916 as delegate of the State of New York to the City Planning Congress held at Washington, etc.; Admiral Colby M. Chester, United States Navy, noted authority on international affairs, economist and historian; Hon. Joseph S. Cullinan, past president of the Chamber of Commerce of Texas, chairman of the Mount Rushmore National Memorial Commission, authority on credit and currency, etc.; Commander Arthur Chester, United States Navy, retired, son of Admiral Chester and brother of C. M. Chester, jr., the president of the General Foods Corporation.

The National Recovery Council holds its meetings at the offices of Mr. Henry Woodhouse, 280 Madison Avenue, New York, and its members have carried on a nation-wide work, which has included the following:

1. The initiating of the movement for direct relief on a national scale.
2. The initiating of the movement to put the unemployed to work on a nation-wide scale, to restore their purchasing power.
3. The first nation-wide survey was made to ascertain how the unemployed could be put to work in their own communities.
4. A check list of 75 conditions that must be met by plans to restore prosperity to be effective was prepared.
5. When the Federal departments stated that no estimate of the national income had ever been made, and the Secretary of Commerce required until December, 1933, to prepare such estimates for Congress, the council collected the necessary statistics and made the estimates of the national income, and discovered that the national gross income has been over six times larger than had been estimated and the exports less than 2 per cent of total.
6. A survey of the outstanding economic questions of the past 6,000 years was made and the difficulty of converting assets into cash by nations as well as individuals outlined. Accounts were published in the New York Times for October 7, 1931, and other newspapers. By indicating the need of an agency for aiding the quick conversion of assets into cash the way was pointed out for an organization such as the Reconstruction Finance Corporation.
7. A definite plan to put 2,000,000 unemployed to work in 60 days, costing less than it costs to keep them on the bread-line basis, was submitted to the leaders of Congress in November, 1931, before Congress assembled. An outline of the plan was published in the New York Herald-Tribune for November 6, 1931, and other newspapers.
8. When it was stated by leaders that putting unemployed to work could not be done because the funds could not be obtained by the Government, the council made a survey of the cash resources and showed that there was over $30,000,-

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000,000 of idle funds awaiting to be invested in Government securities. The correctness was established when the Government asked for bids for Treasury notes and certificates, at from only 1¼ to 3¼ per cent interest and the oversubscription amounted to over $10,000,000,000 on two issues.

9. When the emergency relief bill was being considered by the conferees of the House and Senate, letters were written to the conferees, urging them to include a provision for extending credit to industrials, pointing out that industrials were in a position to put unemployed to work immediately. The provision was included in the bill. But President Hoover vetoed the bill. That left the industrials without relief of any kind, the banks having determined on a policy of liquidity and short terms, which made it impossible to secure credits.

10. When the Government was embarrassed by the presence of the B. E. F. and serious conflict was feared, on June 10, 1932, Mr. Woodhouse was asked to aid in solving the problem. He immediately offered to invite the B. E. F. to move their camp to the 2,000 acres of historic lands of George Washington and George Mason, 9 miles south of the Capital. On June 14 he extended the invitation to President Hoover, making available the land free of charge, provided that the Government provided the camping and food for the B. E. F. The President transmitted the offer to the Reconstruction Finance Corporation, and they replied that they had no authority to do anything. The President then transmitted it to the Veterans' Administration. They also replied that they had no authority to do anything. It has been stated that had the offer been accepted and the B. E. F. tragedy prevented, it would have saved the loss of over $5,000,000,000 that followed from drop of market values, withdrawals of gold, paralyzing effect on business, discontent, etc.

11. Hon. Joseph S. Cullinan attended the Democratic convention in Chicago and circulated a scientific study of the foreign-debt question from the standpoint of American interest and constitutionality of the proposed cancellation of the foreign debts, indicating that (*a*) the foreign debts are part of the contract made with the buyers of the Liberty bonds, the proceeds from the sales of which were loaned to the foreign nations, therefore can not be canceled under the proviso in the Constitution that forbids impairment of contracts and depriving people of property without due process of law; (*b*) that if benefits were to be derived from canceling any debts, it might be well to try it on the farmers of the United States by remitting their taxes and canceling whatever they might have borrowed from the Federal Farm Loan Board or other Government agencies. A plank was adopted, which is part of the Democratic platform, declaring against the cancellation of debts.

12. When conflict arose between the States and the Reconstruction Finance Corporation, due to the Reconstruction Finance Corporation requiring the States to assert under oath of the governor that they had exhausted their resources before the Reconstruction Finance Corporation would advance them funds for relief, the council brought to the attention of the President and of the Reconstruction Finance Corporation that—

(*a*) It was a discrimination to make the States submit to such impossible conditions, when the foreign nations had borrowed as high as $100 per capita of their population on their I. O. U.

(*b*) That the Federal Government had no funds or taxable properties of its own and had borrowed the funds on the credit of the States and cities where the taxable properties are located. Therefore it was preposterous to require them to show that they were exhausted before letting them have a part of the money borrowed on their credit.

(*c*) That if the States and cities should be so unfortunate as to be exhausted, then the $20,000,000,000 of Liberty bonds and other Federal securities would be worth a few cents on the dollar.

(*d*) That the difficulty of raising funds by the States, counties, and municipalities was due to the danger of overlapping, and fear of driving industries from their places on account of multiple taxation.

13. Made a study of the practice and operations of the Reconstruction Finance Corporation in making loans to different classes of borrowing institutions and checked the studies with Reconstruction Finance Corporation officials and others to insure accurate information for use in obtaining legislation that will insure the Reconstruction Finance Corporation becoming an aid to national recovery.

14. Secured from President Hoover, the Secretary of the Treasury, the Federal Reserve Board, Speaker Garner, the leaders of both Houses of Congress, the heads of all departments and agencies of the Federal Government, and from non-Government agencies engaged in relief or welfare all their reports, statements, hearings, and data on national questions and made a survey of the views of all the leaders on all the questions.

15. Prepared and made available to leaders in Congress, financial circles and newspapers a list of 15 rules for judging proposals to broaden the national credit structure by accepting ineligible paper.

16. Prepared rules to guide consideration of plans that might affect the stability of currency.

17. Made scientific study of the use of gold and silver for currency during the past 4,000 years.

18. Made an historic study of the use of gold, silver, and paper as currency in the United States since the founding of the Nation.

19. Made a legal study of the jurisprudence covering gold, silver, bimetallism, and related questions since the founding of the United States.

20. Made a scientific study of the effect of tariff on national welfare in the United States.

21. Made a scientific study of the effect of export of raw materials at low prices on the welfare of nations, which disclosed that nations before the United States had lost their prosperity by selling their raw materials at low prices, which were returned to them in finished products, but with the value of foreign labor added to them, to compete with home industries.

22. Made a scientific study of the relation of exports to national welfare in the United States since the founding of the Nation.

23. Made a scientific study of the factors that developed the United States' resources to over $350,000,000,000 in 150 years.

24. Made a scientific study of the relation of Government expenditures to Government income and to national welfare.

25. Made an historic and scientific study of the exact causes of the events that plunged the United States in the first cycle of economic depression and of the causes of each of the cycles of depression that have followed.

26. Made a scientific study of the international manipulation of the billions of dollars of idle money and the struggle between groups of international bankers for the control of that idle money.

27. Made a study of ways and means of preventing the United States from becoming the victim and suffering the damages in the struggle for the control of the world's idle money and its manipulation.

28. Made a study of ways and means of preventing temporary drops in unemployment from growing into such proportions as to create national economic depression through large reductions of purchasing and other depressing factors.

29. Made a survey of capital financing of new and growing industries in the past 20 years and their effect on the Nation's prosperity.

30. Made a study and survey of the factors and ways and means essential for national recovery.

31. Established the various economic measures and goals that are accepted as representing national prosperity, secured statistics indicating how far we are from them, and outlined ways and means of reaching them.

COPY OF REPORT MADE TO PRESIDENT HOOVER BY HENRY WOODHOUSE, OF 280 MADISON AVENUE, NEW YORK, CHAIRMAN OF THE NATIONAL RECOVERY COUNCIL, ON THE NATIONAL EMERGENCY CREATED BY THE PROPOSED MARCH ON THE CAPITAL BY BETWEEN 10,000 AND 200,000 UNEMPLOYED

OCTOBER 30, 1932.

Hon. HERBERT HOOVER,
President of the United States,
The White House, Washington, D. C.

DEAR PRESIDENT HOOVER: Having been advised that four armies of unemployed, aggregating upward of 100,000 men, women, and children, are expected to be at the Capital for the opening of Congress on December 4, to stay until Congress votes relief, and that my cooperation is desired to solve the problem of taking care for a number of months of between 10,000 and 200,000 men, women, and children and their autos and trucks on the 2,000 acres set aside for the George Washington Air Junction, I have conferred with different Federal and District of Columbia officials about the ways and means. Following is an outline of the outcome:

1. It appears that the States, counties, and municipalities, having exhausted their relief funds and seeing no hope of taking care of more than one-tenth

of the destitutes with their prospective budgets, will welcome the departure of as large a number of the unemployed as are willing to depart.

2. That means that the armies that are planning to be at the Capital are likely to be larger than smaller than have been reported and are likely to grow to even 200,000 during the three months that Congress will be in session.

3. It is estimated that the majority will come in autos and trucks and that between 5 and 10 per cent will be women and children.

4. Allowing an average of 5 people per car and 20 per truck, there will be required parking space for over 20,000 motor vehicles. The veterans are expected to again use planes, but in increasing number, as there are over 10,000 unemployed aviators, and they find it less expensive to barnstorm their way to the Capital, paying their way by carrying an occasional passenger.

5. The District welfare and relief organizations have reported that they can not take care of even the District destitutes. They report over 12,000 persons on hunger rations, with approaching depletion of funds.

6. Inability to obtain sufficient funds to relieve even a percentage of the needy District inhabitants compelled the relief organizations to confine themselves to those who can establish that they have been residents of the District of Columbia, have been employed in the District, and did not come to the District to seek relief or employment. As officials stated to me:

"We have so many natives and old residents of the District of Columbia starving, for whom we can not provide, we can not consider others."

7. The welfare and relief group of organizations have been attempting for over a year the heroic task of caring for about 10,000 cases of destitution already investigated and over 10,000 more that are not included in reports because they have not qualified as having been residents of the District a sufficient length of time to entitle them to relief.

8. Congress only allowed $350,000 for relief work in the District of Columbia. Twenty thousand human beings can not be fed, sheltered, and clothed in their respective surroundings at less than $1 per capita per day. A large percentage of the 5,000 families in need had leases calling for over $1 per day rent. The humblest of living quarters cost more than that before the depression, so they can not be accused of having been extravagant.

At only $1 per day, it would have cost $600,000 per month to care for them. Therefore the $350,000 allowed by Congress and $250,000 obtained from other sources would have been just sufficient for one month. That made it necessary to operate on the "hunger ration" basis.

9. The Salvation Army and the Gospel Mission have endeavored to keep from utter starvation the "transients" as those who have not been residents of the District are called. The task has been overwhelming even in the summer, when destitutes could sleep in the open, clothed with only a few rags.

With the approach of winter both the Salvation Army and the Gospel Mission are taxed far beyond their capacity to aid.

10. To secure aid and shelter for the Capital's present army of destitutes who are homeless the Board of Commissioners of the District has appealed to the Chief of Staff of the Army Third Corps Area for the loan of 300 Army beds, mattresses, and blankets. The need is for over 5,000 beds, but the Gospel Mission and the Salvation Army can not get building space for all of Washington's homeless. So they have asked for only enough beds for the shelters available at this time.

11. It is generally feared that the homeless, starving destitutes will be driven by hunger and inability to obtain relief to join the armies that are coming to camp at the Capital to seek relief when Congress convenes.

12. The Emergency Relief Division of the Board of Public Welfare reports that "over two-fifths of the unemployed are married men with dependents. The number of dependents is about 21,000—a total of over 40,000 suffering from the results of unemployment."

13. The public welfare organizations, having only limited resources, do not aid transients. Its rule is expressed as follows:

"The Board of Public Welfare or its administrative staff shall not extend relief to families which were not in the main self-supporting prior to October 1, 1929, nor to any person or family not domiciled in the District of Columbia prior to July 1, 1931."

14. The municipal lodging house can only accommodate about 50. It enforces the usual rule that a person may have lodging only for three nights. Therefore the homeless can only get a fraction of the relief they need.

15. All the lodging facilities available and being planned by all the relief agencies of the District of Columbia do not aggregate 2,500 beds. The need for the present homeless appears to be in excess of 2,500 beds.

16. The District can not get any relief from the Reconstruction Finance Corporation. Under date of October 26 the R. F. C. advised me that—

"Title I of the emergency relief and construction act of 1932 makes no provision for the relief of destitution in the District of Columbia."

17. Hon. John Barton Payne, the head of the American Red Cross, advised me earlier in the year that there was no provision for aiding the veterans camped at the Capital.

18. General Hines, the head of the Veterans' Administration, also advised me that there was no provision for aiding the veterans camping at the Capital.

19. I had a conference with Hon. Charles Francis Adams on October 29 on the subject of having the Navy Department supply beds, cots, camping equipment, and anything else that may be available for the welfare camp for the hunger marchers. He stated that he would advise me as soon as he has ascertained your policy in that respect.

20. I also wrote to the Secretary of War to ascertain how many beds, cots, camping outfits, and other articles may be available to care for the unemployed armies. He was away. I was assured that the Acting Secretary would advise me as soon as possible. I assume that he will, like the Secretary of the Navy, ascertain your policy before advising me.

21. The press states that you are about to leave the Capital for a prolonged absence. Permit me to suggest that this national emergency requires consideration before your departure. Kindly let me know who is to attend to this in your absence.

Sincerely yours,

HENRY WOODHOUSE.

WILLARD HOTEL,
Washington, D. C., November 2, 1932.

Maj. Gen. HERBERT B. CROSBY,
Commissioner of District of Columbia,
Washington, D. C.

DEAR GENERAL CROSBY: 1. Please find inclosed the copy of my report to President Hoover mentioned at this morning's conference. It is dated October 30. Since then I have conferred with additional officials and have received communications, but none indicating a possible enlarging of facilities for caring for either the 40,000 who need aid in the District at present or the hundred thousand or so expected.

2. The situation was well illustrated by that plucky little starling that flew in your office while we were talking about the similarity of tendencies between the starlings and the homeless thousands, the veterans and others who look to the Government for relief.

3. The District officials, the press, and the citizens have given much attention to both, without finding a solution that will keep either from the Capitol.

4. The most tangible result of our conference this morning was the meeting of our minds on the fact that the B. E. F. experience has proven that the marchers will go to the established camp, even if it is crowded, and it is difficult to make them move after they establish themselves in a given section.

Therefore, it is most important to prepare one or more camps outside of the District of Columbia, where the marchers can be cared for while their delegations come to the Capitol to present their petitions.

5. I appreciate that you all wish that such a thing were possible, so as to relieve the District of the trouble and expenses of caring for the marchers. I also know that the Hon. W. W. Bride, the corporation counsel, intimated this morning that he will rule that the commissioners should not take cognizance until the marchers come here. But I feel sure that he would rule that the District fire engines may be used on the Virginia side of the Highway Bridge if a fire was threatening the bridge and the District.

6. Please consider the offer of cooperation contained in my letter to the commissioners dated November 1 as expressing my willingness to do everything that is humanly possible to aid in finding a solution for this difficult problem.

Sincerely yours,

HENRY WOODHOUSE.

Mr. AYERS. Mr. Chairman, I would like to make a very brief answer to what the gentleman has said, because he has made some statements that will go in the newspapers that give a somewhat different picture. I would like to have five minutes.

The CHAIRMAN. Whom do you represent?

Mr. AYERS. My name is Grover W. Ayers, and I represent the Ten Mile Square Club of the District of Columbia.

I attended the conference in the District Building where Mr. Benjamin, the secretary of this presumed unemployed committee, and Mr. Reynolds, the president of the same committee, appeared. The other day Mr. Benjamin, according to the newspapers, called on the District Commissioners with the intent of asking for the housing and the feeding of 3,000 unemployed whom he is representing, so he said, for three days. I can not speak for any newspapers, of course.

Senator KING. Is this the same Mr. Benjamin who is the leader of the communists who came here last summer?

Mr. AYERS. No; not the same one. These very same newspaper boys asked questions of Mr. Benjamin, but he was very evasive as to who he is, where he lives, where his legal residence is, how long he will be here, and to what extent he represented these people and what authority he had. I myself asked him half a dozen questions but he would give no answer whatsoever other than to refer me to editorials in the newspapers.

On that basis apparently this gentleman to some degree bases the statement he just made. I think his conclusions drawn are entirely wrong. As a citizen of the District of Columbia, having lived here some 35 years, I do not accept his solution of the problem. I do believe that the people who live around Camp Meigs, who live out in Virginia, have some right as to who shall live in that community, especially in such numbers as apparently may come even as Mr. Benjamin said, and especially as this gentleman said who understood possibly 200,000 will be here by spring. I do not believe there will be that many. Senator Copeland pointed out a very important thing in connection with that matter.

Senator KING. It seems to me these statements attributed to Mr. Woodhouse would be an encouragement to people to come here.

Mr. AYERS. Absolutely nothing but encouragement. That is all I desire to say.

FURTHER TESTIMONY OF CHARLES J. RUSH

Mr. BRINKMAN. Mr. Chairman, may I ask Mr. Rush whether he has examined that book containing the constitution and by-laws, code of ethics, and so forth, and whether he found anything about an agreement between these agents?

Mr. RUSH. As I stated before——

Mr. BRINKMAN. Will you please answer the question, yes or no?

Mr. RUSH. I am going to answer it.

Senator KING. Let him answer it in his own way.

Mr. BRINKMAN. All right, but he talks at quite some length. I am trying to abbreviate the hearing.

Mr. RUSH. I am trying to be fair to the committee and fair to the organization of which I am the paid secretary. There is nothing in here that would lead any one of a fair mind to say that there was a combination existing or anything tending toward the creation of a combination or of a black list.

Mr. BRINKMAN. You have not answered my question. Do you find that agreement in there?

Mr. RUSH. The agreement is not in here.

Mr. BRINKMAN. I want the record to show that Mr. Rush has had from 10.55 to 11.30, 35 minutes, to examine this book and he now says that the agreement which the Saul Co. mentioned is not contained in there. That would tend to indicate that there are some agreements between the real-estate men that are not embodied in their so-called code of ethics.

Mr. RUSH. May I clarify that letter? Mr. Jacobs yesterday stated that Mr. Schultz is a clerk in the rent department. He is not the department head. He is not an official of the company.

The CHAIRMAN. He seems to have authority to speak for the B. F. Saul Co. because he signs this "B. F. Saul Co." and the letter which he signed and which is addressed to Mr. Ardenger states:

> We understand that you have a lease on your present apartment that does not expire until September, 1932, and as your present agent, Thomas J. Fisher Co., are members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them.

Mr. Brinkman, of course, is attempting to bring out that there is some sort of agreement between the members of your board, that you will not do business with a prospective tenant until he has closed up everything in a satisfactory way with his former landlord or agent.

Mr. RUSH. That would be only a matter of business credit, but there is no agreement. I can take my oath, from the time I have been with the organization, but knowing what they stand for in other cities of the United States I know they do not attempt to blacklist anybody and they have no agreement of that expression or sort. I purposely brought these other reports of real-estate boards throughout the entire United States to show that the work they do is just the same as the work of the Washington Real Estate Board.

Senator KING. If that letter, however, were representative of the proceedings and conduct upon the part of these real-estate men, you would concede that it is evidence of an agreement to blacklist?

Mr. RUSH. No, Senator King; for this reason, sir: If you had leased a property from me and had decided to change or break your lease, I would like to know if you were going to be a good tenant or not and I would ask you from whom you had rented in the past. You would tell me. I would go to that man, just as a matter of straight business, just as if I went to Garfinkle's to purchase some things and they would ask, "Who have you dealt with before? What is your credit rating in the community?" You naturally would give references, would you not?

Senator KING. Let me ask this question to simplify it.

Senator COPELAND. It is a little more than that. It is not a question of getting the credit rating, but the question was involved, "Have you a lease? If you have you can not have one with us."

Mr. RUSH. Because if you break a lease you would not be a desirable tenant, would you? Of course, we are getting off into a technicality now.

The CHAIRMAN. But you have an agreement between your members.

Mr. RUSH. There is no agreement. The letter is a misstatement or an interpretation put by a clerk.

The CHAIRMAN. That is different. You say it does not state the facts?

Mr. RUSH. It does not state the facts.

The CHAIRMAN. But it is signed by the B. F. Saul Co.

Mr. RUSH. A minor employee of the company. If he had gone to the president of that corpopration and passed that letter on to him, he would possibly say, "You have made a misstatement in that letter; do not send it through."

Senator KING. Is it the practice, when a person goes to make a lease or to obtain a lease of premises, for the agent having the premises to lease to inquire whether the applicant has a lease with some other company?

Mr. RUSH. I would not say that he would ask about a lease, but would ask "from whom have you been renting before?"

Senator KING. Suppose he would ask the person from whom he had been leasing before and he should respond that he had been leasing from Mr. AB. Is it the practice upon the part of members of your organization to then pursue the inquiry further and ascertain whether he had left that former landlord under conditions that would indicate a breach of that lease?

Mr. RUSH. I am not anything but an organization secretary, not familiar with all the details, but I do know that the organization does not stand for it. I would suggest that Mr. Bowie, who is a property manager and former president of the real estate board, who is familiar with these things that come up in the ordinary course of business, could tell you about them.

Senator KING. Would you say it is not the practice among real-estate men when an applicant came to obtain a lease to inquire as to his antecedents?

Mr. RUSH. Of course, we would inquire.

Senator KING. If the inquiry developed the fact that he breached a contract or was seeking to breach a contract with some other landlord, is it the practice to deny him a lease?

Mr. RUSH. That I can not say.

The CHAIRMAN. Is not this letter indicative of its practice?

Mr. RUSH. There is the inference, but that is a misstatement. Mr. Bowie can answer this question much better than I can on the technical organization of a real estate office. Being an organization secretary, I do not know all the details, although I do know the practice of the board is not to encourage a blacklist. We can go to Dun or Bradstreet or the Retail Merchants' Association and check up on these people and likely do that as business men. We all do that.

Mr. BRINKMAN. I would like to suggest that we get that so-called clerk here. Is there a representative of the Saul Co. here?

The CHAIRMAN. The vice president was here yesterday.

Mr. WHITEFORD. He is checking up with that clerk.

Mr. BRINKMAN. May we have this booklet containing the constitution and by-laws of the Washington Real Estate Board identified by the official reporter? I think it would be very important

to have it printed as a part of the hearings, as we will show later its bearing on the question of a combination.

The CHAIRMAN. Let it be identified by the official reporter, but do not print it as a part of the record.

(The document referred to is marked "For identification, J. R. W.")

The CHAIRMAN. There is some report by the real estate board which it is desired to present. Let us proceed with that. I believe Mr. Lusk is to present that.

TESTIMONY OF RUFUS S. LUSK

(The witness was duly sworn by Senator Copeland.)

The CHAIRMAN. Give your name and official connection with the board.

Mr. LUSK. Rufus S. Lusk, 1508 H Street NW. The real estate board requested me about eight weeks ago to compile data which they promised to give the committee. I have spent a good deal of time during the last eight years in making real estate surveys and compiling data in connection with that sort of work. In 1929 I completed a survey of apartment vacancies and rents in Washington which was considered so complete that the Department of Commerce issued a 40-page book as a model method of compiling such information.

Senator COPELAND. Do I understand, Mr. Lusk, that you appear here as an expert to give us information? Whom do you represent?

Mr. LUSK. I represent the Washington Real Estate Board.

Senator COPELAND. Are you with them regularly or is this a special employment?

Mr. LUSK. I am employed to do this particular thing.

The CHAIRMAN. Tell the committee what your experience has been that would qualify you to make an expert report of this nature.

Mr. LUSK. I just referred to a survey of 1929 and stated how it was considered by the Department of Commerce to be of such value that it was adopted by that department as a standard method of making real estate vacancy surveys.

Senator COPELAND. What was that survey?

Mr. LUSK. That was on rents, rent prices, and vacancies in the District of Columbia.

Senator COPELAND. For whom did you make that survey?

Mr. LUSK. I made it for the Building Operators' Association, of which I was executive secretary at that time.

Senator COPELAND. That is here in the District?

Mr. LUSK. Yes, sir.

Senator KING. What business has the Department of Commerce interfering with these matters? Their indorsement would not be very impressive so far as I am concerned. However, proceed.

Mr. LUSK. They have a division of building and housing which has made a great many studies of building and of housing, and along with that vacancies, and so forth.

Mr. BRINKMAN. I do not like to interrupt the witness, but I would like to make a comment. I asked the division of building and housing, to which Mr. Lusk refers, to furnish information as to the cost of building apartments, and I received absolutely no cooperation

from them. All they sent me was some printed sheets gotten up by some private corporations. They seemed unable to ascertain what it costs to build an apartment house. They have a very expensive organization with high-priced experts and clerks, but they do not know what it costs to build an apartment house, apparently. I received very good cooperation from the Labor Department, but no cooperation from that division to which Mr. Lusk refers.

Is this report of yours intended to cover that phase of the problem?

Mr. LUSK. Cost of building?

Mr. BRINKMAN. Yes.

Mr. LUSK. No.

Mr. BRINKMAN. Proceed.

Mr. LUSK. In addition to that work I have here a series of reports on building and related things in the District of Columbia which I got up over a period of years. I spent about eight years working up this particular sort of data.

May I proceed with the statement I want to make?

The CHAIRMAN. Proceed.

Mr. LUSK. As you remember, Senator Copeland, this report is gotten up for the Washington Real Estate Board. We have secured information on 229 buildings involving 10,008 units.

Mr. COPELAND. How did you select those buildings?

Mr. LUSK. They were not selected at all. We got the various offices, 40 of them, to supply us information on questionnaires we furnish them. As the information came in we totaled it and analyzed it.

Senator COPELAND. You include in your report all those questionnaires you received?

Mr. LUSK. I include in this report all that we were able to tabulate by December 1. We have 180 more buildings containing 4,336 units on which the tabulations are now being done. As soon as that is finished we will have it added to our present total and submit it to the committee.

The report we now have covers about 25 per cent of all apartment units in the city. The buildings have been chosen at random without regard to location, size, type, or age. There has been no attempt to pick the buildings about which we wanted information. This method is known as the sampling system, or method of compiling data. It is similar to the method used by the Literary Digest in its poll, and I do not think that any one questions the accuracy of the forecast of that magazine. It was 98.5 per cent right the last time.

Senator COPELAND. Did you think it was necessary to have a survey in order to reach that conclusion?

Mr. LUSK. I reached my conclusion after Maine. [Laughter.]

In making these surveys, in order to check the accuracy of the sampling, as we got the details of so many buildings we struck certain percentages. When we had 129 buildings tabulated we found that the percentage of return on the investment was 4.9 per cent—or rather on the assessed value. When we got 227 tabulated that was only changed to 4.7 per cent. That proved we had enough buildings to show that the amount of data we had would reflect the same way throughout the city.

There is a difference between the information we have gathered and that which was sought by the committee's counsel. The committee's counsel asked several questions about the real and record

owners of the property, who were the trustees, where the insurance policies were, and so forth. That is very interesting data, but we do not believe that it has any bearing on whether or not health and general welfare of the people of the District is to be impaired by exorbitant demands of landlords. We have eliminated those items from our questionnaires, and we have added others. We have found out the actual amount of rents collected by the buildings and the actual amount of cost it takes to operate them. How can you find out whether or not the rent charged is exorbitant unless you know what it costs to furnish and operate the place? How can you find out what it costs to furnish the place without knowing what is gotten for it and what the landlord pays to furnish it?

We do not believe that it can be said that rents in Washington are exorbitant unless it be said that a return on assessed value of 4.5 per cent means that the landlord is getting an exorbitant rent. The committee's counsel has stated that he did not intend to gather data generally about cost, but he was going to take a few typical cases and go into them. What is a typical case? Is it one where the building is making 1 per cent or is it one where it is making 2 per cent or 3 per cent on the assessed value or is it one of the comparatively few earning over 7 per cent? There is no such thing as a typical case. We have taken them all and put them together. In addition to that, we have the analysis for every single one of our buildings right on these sheets [indicating], showing precisely the rent it collects, what it costs to operate it, and what is the net return.

Senator KING. My attention was diverted momentarily by my secretary who came into the room. Does your survey include what might be called private residences a portion of which may be rented?

Mr. LUSK. No, sir; it includes a few buildings where there is a store and three or four apartments. It does not include apartments in private residences.

Senator KING. You discovered in making your survey that there were a large number of apartments of one room or more in private residences, the residence being occupied by the owners and the owners renting some of the apartments which they did not require?

Mr. LUSK. We did not seek to get that information. What we intend to show this morning is that the returns on apartments are very small, indeed, that apartment rents have been reduced in Washington, and that the reduction is greater than the Government pay cut.

Senator COPELAND. I suppose you were undertaking to show that the return that you now get is not exorbitant as compared with ordinary times?

Senator KING. I thought he was going to try to show just what the returns were in all times, good, bad, or indifferent.

Mr. LUSK. During the last two years.

Senator COPELAND. These are the bad times, are they not?

Mr. LUSK. Terrible.

Senator COPELAND. Do you not think you will have to share in the bad times?

Mr. LUSK. I think, sir, if you will permit me to proceed, that I can show that we are.

Senator COPELAND. I am "from Missouri!"

The CHAIRMAN. In rents is it not true just as in everything else, when there is a surplus, when there are many more vacancies in apartment houses than in ordinary times, that it follows that you have to make reductions and in that way encourage the taking up of those vacancies?

Mr. LUSK. It follows. They have made the reductions.

The CHAIRMAN. They have made some, but not in line with the reductions generally made here in the city in other factors entering into the cost of living.

Mr. LUSK. I was going into that matter.

Senator COPELAND. Are you going to be able to show you are not making anything now from apartments, not enough to pay the cost of operating them?

Mr. LUSK. Generally speaking, taking the list as a whole, there is enough to pay the cost of operation, but in many of them, of course, there is not. About 9 per cent of them are in the red.

Senator COPELAND. What per cent?

Mr. LUSK. About 9 per cent.

Senator KING. You include, of course, the taxes in the cost of operation?

Mr. LUSK. Yes, sir. I have all of that itemized.

Senator COPELAND. Then the other 91 per cent are operating at a profit?

Mr. LUSK. If you can call less than you would make in a savings bank a profit, figured most conservatively; yes, sir.

The CHAIRMAN. Have you any comparisons with other cities?

Mr. LUSK. Yes, sir.

The CHAIRMAN. What do they show?

Mr. LUSK. Do you want rent comparisons?

The CHAIRMAN. Yes; whether reductions have been made in Washington as they have been made in many other cities.

Mr. LUSK. Yes; they have been more.

Senator COPELAND. The reductions have been more in Washington than in other cities?

Mr. LUSK. Yes, sir.

The CHAIRMAN. I do not believe the figures of the Bureau of Labor statistics show that.

Mr. LUSK. Yes, sir; they do show that. May I read them?

The CHAIRMAN. Proceed.

Mr. LUSK. It was stated before the committee that Washington had less rent reductions than any one of 44 cities. The fact is that of the 19 cities on which the Department of Labor gives rental information, 10 of them have had a greater rent reduction than Washington. Washington has had a greater rent reduction than eight of them. The only way you can compare these rent reductions is to compare how they have gone up and how they have come down. It is true that food and automobiles and a great many other articles have come down a great deal more than rents, but they went up higher. Since 1914, according to the Department of Labor—it is all right to quote that, is it not?

Senator KING. You may quote what you please, but I will reserve my judgment as to the weight to attach to it.

Mr. LUSK. The Bureau of Labor statistics shows that rents in Washington increased 32 per cent since 1914; food rose 102 per cent; house furnishings rose 100 per cent. Naturally, those things can drop more from where they were than rent could, but rent is lower on the average in Washington to-day than any other commodities. It is 27.5 per cent above 1914 and the general cost of living is 29.2 per cent. Those are the figures of the Department of Labor. That is as of June, the last month for which the figures are available.

The CHAIRMAN. Do you think apartment-house owners have taken the losses that other investments have taken in the last few years?

Mr. LUSK. I attempted to get some information on that, but it is so difficult to ascertain what has been invested in these large companies that I did not see any way of making a comparison.

Senator COPELAND. You mean invested in large real-estate companies?

Mr. LUSK. No, sir; I mean like losses on the stock exchange and decrease of earnings of various large companies.

Senator COPELAND. My judgment is that if the landlords of Washington are getting their expenses, they are mighty lucky. I do not think they ought to expect in these times to have any substantial return on their investment, because nobody else is getting it. I am not getting it on mine. I do not think men generally are. The investors in railroads and practically all corporations are not getting it. Look at the Vanderbilt family. They have not any income, have they?

Mr. LUSK. I do not know.

Senator COPELAND. It would seem to me that the owners of properties in this city have got to expect to share the common misery, because those who rent from these landlords are penalized by the Government itself.

Mr. LUSK. Yes, sir; may I proceed?

Senator KING. What did you include in the statement you just made? I suppose on some of these buildings there are mortgages and that bonds have been issued, and those bonds are purchased by estates or by widows or by persons who have small sums to invest. Would you include the mortgage payments, the mortgage interest, as a part of the expense?

Senator COPELAND. I think it would be a very pertinent thing for this committee to inquire as to the capital, as to the investment, as to the real value of the investment, and check up the securities that have been put out. If they have been put out in excess of the real value of the property I would say these unfortunate persons would have to take their medicine like the purchasers of other things.

Senator KING. Would you say those who are operating the apartment houses, where securities have been emitted and are held by a large number of persons, ought not to take into account in their budget at any rate sufficient to meet the maturing interest charges?

Senator COPELAND. Other people have to do that.

Senator KING. Or else there will be foreclosure.

Senator COPELAND. But there are securities out in Washington far beyond any justification—any moral justification, certainly.

Senator KING. That may be true of many things.

Senator COPELAND. That may be true, but my contention is that real-estate owners have got to take their medicine just like the rest of us take ours. If they are getting 4.7 per cent on the assessed valuation, they are very lucky gentlemen; that is my idea.

Mr. LUSK. May I proceed?

The CHAIRMAN. Proceed.

Mr. LUSK. To go first into the question of how much they are getting and how we arrive at it, we have to establish some norm, some standard to determine the value of the building which we may have under consideration. We do not know how much capital is invested and we have no way of finding out, so we have taken the assessed value as the valuation of the building. When we have so many, over 200 here, we are reasonably certain in feeling that is a proper standard to take. As a matter of fact this committee, through its counsel, have practically admitted that the assessed value is the proper value for these buildings.

Mr. BRINKMAN. Wait a minute; I have not admitted that.

Mr. LUSK. I said a witness whom you called admitted it.

Mr. BRINKMAN. Oh; pardon me.

Mr. LUSK. If I did not say that, I apologize.

The district assessor, Mr. William P. Richards, testified before this same committee on January 30, 1931. He was asked by Senator Blaine as to whether the assessed valuation was a full valuation, and this was Mr. Richards's answer:

> According to my best judgment we are somewhere between 90 per cent and 100 per cent. In some cases sales have been above our valuations and in some below.

Even if there be the alleged "inflated and fictitious values," as set out in this resolution, we have eilminated them from our estimate of what buildings are earning by taking the assessed value.

It is very important that this particular point should be understood, because our whole computation as to earnings is based on a standard of valuation; and we have taken the assessed value because we do not believe it can be questioned.

The principal item of expense in the operation of an apartment building is the depreciation. Depreciation consists of the wearing out of the building. We have taken for that a figure that has been practically admitted by a witness called by this committee's counsel as too small.

In the case of the Mayflower Hotel, Mr. Brinkman called Thomas W. Fitzgerald, a certified public accountant, to testify concerning that hotel. He had examined the accounts of that corporation. He was employed to review "the reports made by others in connection with the earnings" of that corporation.

Mr. Fitzgerald stated that the Mayflower had set up a depreciation rate of 1½ per cent, and he added that that depreciation rate "should be at least 2½ per cent." Now, remember, he was a witness called by this committee's counsel.

Senator COPELAND. That was not this particular committee, was it?

Mr. LUSK. It was the District committee.

Mr. BRINKMAN. No, and I do not admit that any of these things that he is saying represent the true condition.

Mr. LUSK. Well, I will prove it to you out of the record.

Mr. BRINKMAN. I will refer to that case later. I have plenty of material to controvert every one of the points Mr. Lusk is making.

Senator COPELAND. That was another subcommittee, was it not?

Mr. LUSK. Yes, sir; but of the District Committee.

Senator COPELAND. I asked that because I do not remember the testimony.

Mr. BRINKMAN. That was a corporation that was actually setting up a depreciation account, which none of these apartment houses around town are doing. They are not actually setting up any depreciation. When they set up depreciation, they simply put that amount in their pocket. I do not know any of them that are actually setting it up.

Senator COPELAND. The Mayflower Hotel would not appeal much to me, because the night it was opened I was told by somebody in authority that the interest rate alone on it would be $5 a room per day. I do not know how in the world they could do anything else but meet with the disaster which met them.

The CHAIRMAN. The hearing, I presume, was before what was known as the Blaine subcommittee, inquiring into the matter of value of securities here.

Mr. LUSK. What I am trying to show, Senator, is that the depreciation rate on the building, which is the biggest single item of expense, must be established; and a witness appeared before the District Committee who was called by the counsel of the committee who submitted a report, after being questioned by the counsel of the committee; and this witness stated that 2½ per cent on a structure such as the Mayflower was too low, and that is the figure we are using.

Mr. BRINKMAN. That was a hotel property which, of course, is subject to greater depreciation. The Internal Revenue Bureau allows, usually, 2 per cent on a modern apartment building.

Senator COPELAND. I should like to inquire, however, if you would expect in abnormal times such as these that you could always figure off your depreciation rate. Would it be justified under these circumstances?

The CHAIRMAN. Was not the assessed valuation of the Mayflower Hotel, for example, originally on an inflated basis? That is, was it not part of the high-finance program that was carried out there, in which several people lost millions of dollars?

Mr. LUSK. I think so.

Senator COPELAND. What you mean is that that hotel had a depreciation rate of 1½ per cent for three or four years on the stock value.

The CHAIRMAN. That is it exactly. It never represented actual value.

Senator COPELAND. The real value of the hotel would have been paid for by this time.

Mr. LUSK. I do not mean that, Mr. Chairman, and I think the witness did not mean that. He meant the depreciation rate set up on what that building cost. That is what he was testifying to.

The CHAIRMAN. Are you sure they did not have the inflated value in there as the basis of assessment?

Mr. LUSK. The basis of assessment?

The CHAIRMAN. Yes.

Mr. LUSK. I do not know how the assessor assesses it.

Senator COPELAND. He means as the basis of this depreciation.

The CHAIRMAN. Yes.

Mr. LUSK. He had the cost—what was supposed to be the cost—but the Treasury Department, on hotels such as the Mayflower, the very finest structures, allows a depreciation rate of 2.85 per cent.

In order that there may not be any doubt about it, and to get the record straight, let me read these depreciation studies from the Treasury Department, January, 1931.

Mr. BRINKMAN. I just want to remark that we are not interested in hotel properties. We are interested in apartment properties.

Mr. LUSK. If you will wait a minute, Mr. Brinkman, I will read this. It says, "Hotel and elevator apartments." They put them together. These are the minimum rates allowed:

Two and a half per cent for that type of structure.

For a structure that is semifireproof they allow 3½ per cent.

For a nonfireproof building they allow 4 per cent.

We have all those buildings in our report; and if we took a depreciation rate based on each one of these buildings according to its construction, the rate would be at least 3½ per cent.

Senator COPELAND. I assume you have some very old buildings included in your list; have you not?

Mr. LUSK. Yes, sir; and the highest depreciation we take is 2½ per cent.

Senator COPELAND. What is the average age of the buildings that you have in your list? Did you figure that?

Mr. LUSK. I have not figured that, but I think most of them have been built since the war.

The CHAIRMAN. We referred to the Mayflower Hotel here. I think this paragraph from Senator Blaine's report, made to the Senate on February 18, 1931, is pertinent. In his report he said:

> The second security issue of large amount to which the subcommittee gave particular attention was that sponsored and sold in 1928 by Halsey, Stuart & Co. (Inc.) and the American Bond & Mortgage Co. (Inc.), both members of the Investment Bankers Association of America—consisting of bonds of the Mayflower Hotel Co., Washington, D. C.
>
> First-mortgage bonds in the amount of $7,500,000 and second-mortgage bonds of $2,400,000, a total of $9,900,000, were issued and sold widely throughout the country. In addition, the hotel company issued $1,100,000 of 7 per cent cumulative preferred stock and authorized an issue of 80,000 shares of common stock without par value.
>
> These security issues were based upon extravagant valuations shown in the sales circulars distributed by the investment bankers. The property was appraised by Harry Wardman, of Washington, D. C. (who had financial interests in adjacent properties) at $12,600,000. Wardman later refinanced his own hotel and apartment properties through Halsey, Stuart, & Co., participant in the Mayflower Hotel issue.
>
> Lockwood, Greene & Co. (Inc.), engineers previously referred to as advertising eight different types of appraisal on property, were quoted in the bond circular as having valued the Mayflower Hotel at $11,000,000. Separate and high valuations were put upon the land by Wardman and by Weaver Bros. (Inc.), Washington, D. C. realtors.

So, as a matter of fact, the Mayflower Hotel from the very beginning was a flagrant example here of high finance in realty operations.

Mr. LUSK. But, of course, it would depreciate just the same whether it was high finance or low finance.

The CHAIRMAN. Yes.

Mr. LUSK. That refers to the physical condition of the property. It is a well-constructed building.

The CHAIRMAN. But you are putting, into the whole picture of these values, valuations that as a matter of fact were largely inflated.

Mr. LUSK. No, sir; I am not doing that. What I am trying to establish is that that building, whatever it is really worth, depreciates at least 2½ per cent a year, and that is the figure we have used in this report, whereas many of our buildings are of much cheaper construction and depreciate much faster. Therefore, their expense is much greater than we have figured. We have taken the minimum figures. That is the purpose of that; not to have anything to say about whether that was inflated or not.

Now, let us take this group of buildings for which we have comparative figures for 1931 and 1932. In most cases we had the figures for the entire year of 1931 and for eight months of 1932. Where we did not have the full figures, we prorated them so as to make them comparable.

In this particular group of buildings the rental schedule was $6,247,000 on December 31, 1931. The rentals actually collected were $5,471,000.

Senator COPELAND. What was the loss, then, on the rents?

Mr. LUSK. It is the difference between those two figures—about $750,000.

Senator COPELAND. Is that very high?

Mr. LUSK. Higher than ordinarily; yes, sir; because the vacancy is high.

The operating cost of these buildings during 1931 was $3,638,000. This leaves a net return of $1,832,000, which is 4.8 per cent on the assessed value.

I made a mistake in that figure, Senator. It should be $1,832,000 as the net rents collected.

In these same buildings for 1932, if we take the figures for eight months and prorate them through the year, they will collect $5,208,000. The expense will be $3,477,000.

Senator COPELAND. What did you figure the expense to be last year?

Mr. LUSK. $3,638,000.

Senator COPELAND. You had a lower expense rate this year; had you not?

Mr. LUSK. Yes, sir; $3,477,000.

Senator COPELAND. How much is that less than last year?

Mr. LUSK. That is a little less than $200,000.

Senator COPELAND. That came from reduced salaries, cost of fuel, and so forth?

Mr. LUSK. Yes, sir. The net return for this year is 4½ per cent.

Mr. BRINKMAN. For what year—last year or this year?

Mr. LUSK. Four and a half per cent for this year.

Mr. BRINKMAN. How about last year?

Mr. LUSK. Four and seven-tenths per cent.

Senator COPELAND. Four and eight-tenths per cent; was it not?

Mr. LUSK. I believe you are right, Senator—4.8 per cent.

I wish Senator King were here, so that he could hear this point. The situation that I have quoted to you, Mr. Chairman, is an ideal

one which practically never exists. We have assumed that those buildings have no mortgages on them, that they are clear, and that if they are clear during this year on the average the property owner will earn 4.5 per cent; but this is what the condition, generally speaking, actually is.

Practically all those properties are mortgaged for from 50 to 60 per cent of the assessed value which we have taken as our standard. Now, let me give a concrete example of just what the actual return is to the owner.

Suppose we have a building that is assessed at $100,000. That would earn $4,500 during this year. The owner has a $55,000 first mortgage on it. The interest on that is $3,300. On his equity of $45,000, which is his stake, his cash, his capital that is in that building, he has a return of $1,200 in cash. That amounts to 2.7 per cent on his equity, on the amount of money he has in that building.

Senator COPELAND. Do you think that is too little?

Mr. LUSK. It may be that in these times he is perhaps fortunate to get that much.

Senator COPELAND. Fortunate? He ought to say his prayers every day and thank God that he is getting it.

Mr. LUSK. But remember that the resolution charges that these rents are exorbitant, although they only make that slight return for an owner. He would be much better off if he had his money in the Bowery Savings Bank or if he had it in first-mortgage notes.

The CHAIRMAN. I would not say that that was a slight return under the conditions.

Mr. LUSK. What can you get from the Bowery Savings Bank now, Senator. Four per cent?

Senator COPELAND. They would not take your money.

Mr. LUSK. They took mine yesterday.

Senator COPELAND. You are lucky.

Mr. LUSK. The detailed earnings for 229 of these buildings for which we have figures for 1932 show that 18 of them operated at a loss, 11 of them earned less than 1 per cent, 17 of them earned between 1 and 2 per cent, 25 of them earned between 2 and 3 per cent, 34 of them earned between 3 and 4 per cent, 43 of them earned between 4 and 5 per cent, 39 of them earned between 5 and 6 per cent, 22 of them earned between 6 and 7 per cent, and 38 earned 7 per cent and above.

Senator COPELAND. Are these earnings or losses that you are giving?

Mr. LUSK. The first figure was loss. Eighteen of them lost, and the rest of them earned from 1 to over 8 per cent.

Senator COPELAND. But on the securities they paid the full interest charge?

Mr. BRINKMAN. Six per cent or more.

Mr. LUSK. Or else lost the building; yes, sir; one or the other.

Senator COPELAND. Are those securities actually drawing 6 per cent?

Mr. LUSK. They are unless they are in arrears.

Senator COPELAND. No; I mean to say, were they put out at that rate, at 6 per cent?

Mr. LUSK. The rates here have varied. Most of the mortgage loans are at 6 per cent. A few of them are at 5½ per cent.

Senator COPELAND. Are any of them above 6 per cent?

Mr. LUSK. Yes, sir. Recently some have been issued at 6½ per cent.

Senator COPELAND. Counting the commissions, and so forth, that were paid, I suppose?

Mr. LUSK. That is the interest.

The CHAIRMAN. Have you the names there of the apartments that are making 8 per cent?

Mr. LUSK. Yes, sir; I have the names of them.

The CHAIRMAN. Could you give the committee the names?

Mr. LUSK. They are right here in these sheets. Do you want these sheets to go in the record?

Senator COPELAND. I should like to see one of them.

Mr. LUSK. They are rather torn, they have been worn so much. May I explain how we figured this?

Senator COPELAND. I should like to know.

The CHAIRMAN. Go right ahead and explain. What is this, up here?

Mr. LUSK. Here is the name of the building. Here is the agent. Here is the number of apartments. Here is the number vacant. Here is the rent schedule on January 1, 1928. Here is the rent schedule on January 1, 1932. Here is the rent schedule on October 1, 1932.

This is the total reduction between 1928 and January, 1932. That building was reduced $30.

Here is the reduction between January 1 and October 1, 1932. They reduced it $330 in eight months.

Here is the total reduction. Here is the cost of the refrigeration installed in that building. This states whether gas or electricity has been included in the rent since 1928. Here is whether or not electric refrigeration has been installed since January 1, 1928. This is the net income for 1931. This is the net income, on an eight months' basis, for 1932.

The CHAIRMAN. You do not have the percentages here?

Mr. LUSK. Yes, sir; right over here.

For 1931 that building earned 3.4 per cent. For 1932 it earned 3.3 per cent. These are all the costs that go into apartment operation.

The CHAIRMAN. Here is one of 7 per cent—1436 W Street NW. Here is another of 7 per cent—200 Massachusetts Avenue NW. Those are apartment houses where they have very modest rental rates; have they not?

Mr. LUSK. It does not follow. Some of the ones with modest rates are doing well, and some of those with high rates are doing well.

Senator COPELAND. Here is an 8 per cent apartment. What is that?

The CHAIRMAN. Sixth and K NW.

Mr. LUSK. That is a reasonably priced apartment.

The CHAIRMAN. Here is one of 7½ per cent—1707 Columbia Road.

Mr. LUSK. That is a rather good building.

The CHAIRMAN. Is there anything here to show whether these that are earning 7 and 8 per cent have made reductions?

Mr. LUSK. Yes, sir.

Senator COPELAND. Is that (referring to another sheet) the same thing?

Mr. LUSK. That is just more of them.

Senator COPELAND. More houses?

Mr. LUSK. More apartments.

The CHAIRMAN. I see here the Bliss properties, 7 per cent.

Mr. LUSK. Yes, sir.

The CHAIRMAN. Have you any sort of showing as to what reductions they have made?

Mr. LUSK. Yes, sir. They had a rent increase from January 1, 1928, to 1932, but they reduced the rent $744 this year, making a net decrease since 1928 of $348; and they spent in that building $2,217 to install electric refrigeration since that date.

The CHAIRMAN. The total schedule in 1928 was $17,160?

Mr. LUSK. Yes, sir.

The CHAIRMAN. There are a lot of them.

Mr. LUSK. Yes, sir. Senators, these are the various items of expense that run into the building, all itemized.

Senator COPELAND. Am I on the right line here? What is that line?

Mr. LUSK. The per cent of earnings between January 1 and August 31, 1932.

Senator COPELAND. Here are some that run as high as 10.2 per cent and 10½ per cent.

Mr. LUSK. That is right; and one or two of them are 11 per cent.

Senator COPELAND. Poor landlords! I am sorry for them. [Laughter.]

Mr. LUSK. But wait a minute, Senator; see these "reds"?

Senator COPELAND. Yes; I see a couple of "reds." 11.6 per cent—that is pretty good. They will not be down in the bread line, Senator.

The CHAIRMAN. No; I think not.

Senator COPELAND. These were put down just as they came in to you, I assume?

Mr. LUSK. Just as they came in; yes, sir. We are working on 180 more.

Senator COPELAND. There are some 9 and 10 per cents in there.

Mr. BRINKMAN. What were those for—this year or last year?

Mr. LUSK. Both years.

Senator COPELAND. I am relieved. I was afraid these real-estate owners would have to go down to the welfare board, but I see that they are still earning some money—11 per cent!

The CHAIRMAN. Senator, I see in this entire list that there is just one that is "in the red." That is for $559.38. This shows the net income in 1931. In fact, he got out in 1932; but, in the case of the rest of them, I do not know of any other business going on now that can make a showing like that.

Senator COPELAND. I can not make that much money on my farm.

The CHAIRMAN. I can not on my newspaper.

Mr. LUSK. Senator Capper will solve that for you.

Senator COPELAND. If he could, they would make him king.

Mr. LUSK. May I proceed, sir?

The CHAIRMAN. Go right ahead.

Mr. LUSK. May I suggest this, Senator: If any of you gentlemen want to buy an apartment, I think you will be deluged with offers.

May I go ahead now, sir?

The CHAIRMAN. Proceed.

Mr. LUSK. The rents of apartments, of course, have been reduced, as you brought out in your press statement day before yesterday; but it seems impossible, according to these figures that we can get, actually to reduce the expenses of operation. I do not mean that we are not reducing them in actual dollars. They are being reduced; but it is costing more this year in percentages to operate an apartment than it did the year before.

By that I means this:

Last year, 66.5 per cent of all the rents collected went for operation—that is, for taxes, insurance, light, gas, fuel, depreciation, and so forth. This year, while we have cut the expense of operation, it is 66.7 per cent of the total amount of rents collected. The landlord is practically helpless. He can not, at the best, do any more than reduce his expenses in accordance with his rent collections. As his rent collections go down his depreciation goes up, and as his rent collections go down his taxes go up.

Senator COPELAND. Have you gone into the matter of the taxes?

Mr. LUSK. Yes, sir. I will come to that in just a minute.

Senator COPELAND. Are the taxes here high as compared with elsewhere?

Mr. LUSK. I have not been able to get comparative figures elsewhere; but I had hoped that the committee would give the board an opportunity before it adjourns to submit a further brief in detail on this really alarming question of taxation.

Senator COPELAND. I think it would be very pertinent to have that information. I think we ought to have it. I remember that we had some material given us at the Appropriations Committee meeting on the District of Columbia bill. I think we had some information about taxation there; did we not, Senator Capper?

The CHAIRMAN. Yes; we did, and I think it showed that the District of Columbia rate of taxation on real estate is lower than that in most cities.

Senator COPELAND. Did we take into consideration the valuations?

The CHAIRMAN. No; I think not. I do not know that we did. Nevertheless, I do not think Washington, D. C., is suffering from the tax burden to the extent that most other cities are. What is your observation about that, Senator Copeland?

Senator COPELAND. I know there is universal complaint about taxation. Of course, we are having it at home. I boasted at the Appropriations Committee last year that on certain properties of mine they really taxed only the ground value; but when I got my bill last week I noticed that they had added 50 per cent to my bill, so I think I have some complaint about taxes. Of course, however, if these real-estate men have anything to offer that is valuable in the way of information on taxation, it would assist not only this subcommittee but your other committees. You have that before you, have you not?

The CHAIRMAN. We shall be glad to get any information you have along that line.

Mr. LUSK. I think we can have it ready.

The next question is that of rent reductions.

According to our figures, since January, 1928, rents have been reduced on the average 10.1 per cent. That is not the entire rent

reduction, because for a great many of the buildings we have in this report we have figures only from 1929, 1930, or 1931; so that we have not all of the rent reductions that have probably taken place prior to the time we have information on those particular buildings.

Senator COPELAND. I want to call your attention to the fact, too—and I am satisfied it is a fact—that these rent reductions are very deceptive.

An apartment house may advertise that it has decreased its rentals 10 per cent; but that is a decrease to the new tenants. The person who has an apartment there under lease does not get the benefit of that reduction. It was testified here that the old tenant does get the reduction. That is what was testified here. Am I right, Mr. Brinkman?

Mr. BRINKMAN. That is right.

Senator COPELAND. It was testified that when there is a reduction on a certain type of apartment everybody gets a reduction. Now, I know that that is not true. Consequently, when it is advertised that there is a 10 per cent reduction in apartment house A B, that means that there is a reduction of 10 per cent on new rentals in that house; but the poor tenants who are in there on leases do not get anything.

Some time or other, Mr. Brinkman, I hope you will develop that fact, because we have been misled by previous testimony on that subject. You see what I mean, Mr. Lusk. While you can say that there are reductions of a certain percentage, of course I suppose you are going to show from the figures that there is actually that reduction in income to those apartments; or are you simply taking the general picture? Because you have advertised that in this apartment house, A B, there is a 10 per cent reduction, that is not going to convince the public, when the Washington public realizes, as stated in a letter that I have here referring to statements about reduction, that these people who have their leases are not getting any reduction; and they are just as much to be considered as the others. We have to protect them. We must protect them, and you people must help us.

Mr. LUSK. Obviously, Senator, I could not answer; I would not be the one, rather, to answer whether or not those under lease get the reduction. But whether they are under lease or not, when their lease runs out they certainly can get a reduction.

The CHAIRMAN. Do you think that is true of all apartments?

Mr. LUSK. I do not think, sir, that I should be asked that question, because I am not in the rental business.

Senator COPELAND. Let us serve a notice now, Senator Capper, that we are going to ask that question, and we are going to have the truth about it, because in your absence this summer in hearings where I presided it was positively stated to this committee that when a reduction was made in an apartment house of a certain type of apartment, not only did the new rentals have the benefit of it but those who are now under lease had the benefit. I have positive evidence that that is not true; and at the right time I want to see that developed, because the committee has been misled, and there has been an attempt made to mislead the public. The public have not been misled, because they know the truth. The committee has no opportunity to learn the facts except by the testimony of residents; and, for my part, I should be glad to have any resident who has had

the experience I have mentioned to state the facts to the committee.

A LADY (from the rear of the room). May I state the facts?

Senator COPELAND. Would you mind waiting until we get through Mr. Lusk's statement?

The LADY. All right.

Mr. LUSK. Mr. Chairman, is it not fair to add that the gentlemen who made those statements said "as far as they knew, in their knowledge"?

The CHAIRMAN. My view of the matter is right in line with Senator Copeland's. I have had any number of people tell me within the last few days that reductions are not being made generally here in the District of Columbia; and it seems to me that that is pretty nearly the crux of this whole problem.

Senator COPELAND. That is right.

The CHAIRMAN. We must know that these people are going to get relief, all of the tenants in these apartment houses, and especially the Government employees who are having their pay reduced, and who simply can not stand these high rents under the changed conditions; so they are entitled to relief.

Senator COPELAND. I feel absolutely the same way. Take last spring, for instance: Before we passed the economy act many Government employees made new leases, or they had made them the previous fall, and then they find themselves, as those young people testified here yesterday, with such a reduction in income that they can not afford to carry it on; yet when they try to get a readjustment they are followed up by these cruel landlords who are insisting, "Oh, you can not do this or that until you take care of this lease," and the other landlord says, "You can not come in here until you have taken care of your old contract."

We must deal with this matter in a human way. That is what this committee is for; and I think it is only right, Senator Capper, that the property owners of this city should have made clear to them what we have in mind. We are not seeking to ruin them, but we certainly must protect the citizens of Washington, and particularly the Government employees, when by our own act we have reduced their incomes; and we must have some assistance from the landlords.

The CHAIRMAN. We must take notice of the changed economic condition, which means, all other elements in cost of living having been reduced, that rents must take pretty much the same trend.

Mr. LUSK. May I proceed?

The CHAIRMAN. By the way, Mr. Lusk, while we are on this matter of rent reduction, what do you think would be, speaking for the real-estate board, a fair reduction all along the line, applying to old-time tenants as well as new ones?

Mr. LUSK. I think the reduction should be equivalent to the reduction in the cost of living. That is the ideal situation; and, according to the Department of Labor, apparently that has taken place. Rents did not go up like other commodities.

The CHAIRMAN. No evidence has been submitted to this committee, so far as the District of Columbia is concerned, which will show that there has been a general reduction in line with the reduction in the cost of living.

Mr. LUSK. The Department of Labor says that. It must be remembered, Mr. Chairman, that rents did not go up like other commodities.

Senator COPELAND. And they have not come down like other commodities.

Mr. LUSK. They have come down more.

The CHAIRMAN. You have not shown any evidence of that.

Mr. LUSK. Can we talk about the figures of the Department of Labor for a minute, and what they mean?

The CHAIRMAN. Certainly; anything that will throw light on this matter. All that Senator Copeland and I and the other members of the committee are trying to do here is to get the facts, and get this thing on a fair basis all around; but I am strongly of the opinion now that there has not been anything like the reduction in rent given to the people of this city, and especially the Government employees, that they should have.

Mr. LUSK. Suppose we are at the bottom of a hill, all three of us, and we decide to walk up the hill. I am Rent, and you are Food, and Senator Copeland is Clothing. (He does not mind that.)

I walk up the hill 32.7 feet. Clothing goes up the hill 84 feet. Food goes up the hill 108 feet.

Clothing and Food reached their maximum in June, 1920. I get up to my high point a little later, in June, 1928.

Now then, we start down. I come down to 27.1 feet above the bottom of the hill. Clothing goes down to 28 feet from the bottom of the hill—still 1 foot above me, Rent. I purposely chose Food for the other one, because that has dropped more, and is now only 2 feet above the bottom of the hill. It has dropped more than Rent, but Clothing has not dropped.

Now, suppose we have a fourth man, a sort of a superman, that represents all the items that go into our cost of living. I am talking of Washington. At the present time that man is 29½ feet above the bottom of the hill. That is, all the items that we use, that we buy, are 29½ per cent above 1914 costs. Rents are 27.1 per cent. I do not know what other figures we can get. There they are.

Senator COPELAND. Are the average investments of 1932 in properties greater than they were in 1914 to the same extent?

Mr. LUSK. That is a very broad question. I imagine they are greater. They must be greater.

Senator COPELAND. Of course a great many of these properties that you are talking about were built before the inflation prices of 1928 and 1929.

Mr. LUSK. Yes, sir.

Senator COPELAND. Perhaps some of them have already charged off in depreciation practically all they are worth.

Mr. LUSK. They should have when they had an opportunity. I do not know whether they have or not.

The Department of Labor, in figuring its rents, has a system that it has worked out over a long period of time. They have certain standard actual places that they get the rent of, ranging from the cheapest to the best. They have been doing that since 1914, and these are the figures we get.

In Baltimore the rents are 53 per cent higher than they were in 1914. In your own town, Senator Copeland, they are 51 per cent higher.

Senator COPELAND. The rentals under lease are. Take my own case in the apartment that I rent in New York: I have it under a lease which I made at an unfortunate time. The rental of a corresponding apartment to-day is about 25 or 30 per cent less than when I made my lease.

Mr. LUSK. Was not that a high-class, high-priced apartment?

Senator COPELAND. Yes. I have no complaint to offer so far as this is concerned. I am only using that as an example; but in estimating a budget, what do we put rent down for in the budget?

Mr. LUSK. Between 20 and 25 per cent, I believe.

Senator COPELAND. 25 per cent; is it not?

Mr. LUSK. Yes, sir.

Senator COPELAND. Of course, if you have an employee who has had a reduction of 10 per cent in his income, he must have a corresponding decrease in his rental item in his budget; must he not?

Mr. LUSK. If he does not want to throw his budget out to some extent; yes, sir.

Senator COPELAND. Do you believe that you have made reductions which measure up with what we expect in view of the lowered income of the people here?

Mr. LUSK. Yes, sir; but, as I have stated in this paper, that entire reduction has not taken place during the first month of this year. Our figures for the first month of this year are 5½ per cent and 4.6 per cent. Previous to January, 1932, however, our figures are only to October 1; and I am merely repeating what rental agents have told me, that there have been considerable reductions in apartments since that time. I have no figures for that, however.

The CHAIRMAN. Can you tell us now just what percentage, what part of the rentals, have been reduced, and what are still to be reduced?

Mr. LUSK. Ten per cent of them have been reduced.

The CHAIRMAN. Do you mean that there has been a reduction of 10 per cent?

Mr. LUSK. Yes, sir.

The CHAIRMAN. All rentals, you say?

Mr. LUSK. No, sir; not all rentals.

The CHAIRMAN. What parts have not yet benefited by this reduction?

Mr. LUSK. In our report we have 219 buildings for which we have comparable figures this year and last year. You see, we are putting the whole thing before you as we found it. Forty-four of those buildings had rent increases prior to January 1, 1932; but of the same buildings as of October 1, 1932, only seven of them were left with any rent increases and of those seven the total amount was $12,308 a year; $11,250 went into the Highlands Apartment, which was practically turned into a hotel. The service was improved, and it was made into another place; and by doing that, even though at an increased rent, they took the building out of the "red." The other $783, divided among six buildings, represents buildings in which $7,700 was spent for electrical refrigeration, repairs, and alterations.

Senator COPELAND. Of course, where the refrigeration has been installed, the tenant has been obliged to pay an increased price on that account.

Mr. LUSK. Would you like to have the figures on installation of refrigerators?

Senator COPELAND. Yes; if they are brief.

Mr. LUSK. I am referring now to the buildings that had rent increases, which totaled at the end of this year $12,000 in net rent increases. Those particular buildings spent $97,444.07 in installing electrical refrigeration.

Senator COPELAND. And then the tenants paid for it by increased rentals?

Mr. LUSK. Only seven of them had any rent increase. The rest all had reductions.

The CHAIRMAN. That would be investment.

Mr. LUSK. It is capital expenditure, not included in our figures.

Senator COPELAND. Do you mean to say that when you added to your capital investment by installing refrigeration, the landlord did not increase the rent?

Mr. LUSK. In certain cases he did, but later he decreased it, except in the seven cases I have cited.

Senator COPELAND. He decreased the general rent; but was there not included, however, in the price a certain sum for the use of the refrigeration?

Mr. LUSK. Do you mean a separate item? I can not testify as to that, sir.

Mr. BRINKMAN. I have some letters on that subject showing that various landlords added $2.50 or $3 a month to the rent when they installed electric refrigerators, and they kept up that charge indefinitely in some cases, although they had agreed that it would only be on the refrigeration for two years; but after the two years expired they still kept it up in some cases. In other cases they cancelled it after a year or two. In many cases they did add a charge for the electric refrigeration.

Senator COPELAND. My impression is that it has been regarded as a capital investment, and that there has been an interest charge or a service charge which was equivalent to interest in most instances.

Mr. LUSK. As I say, Senator Copeland, that apparently was done in some 37 of these buildings, and then it was undone. They not only took away any charge they made, but they even charged less.

In all of these buildings about which we have spoken where there have been rent reductions, they spent $579,000 in the installation of refrigeration; and in addition to that many buildings give gas now—not many, but some give gas with their rent—and a great many are furnishing electricity. All of those are added features. They cost more money, which should be taken into consideration when we speak of rent reductions.

To come back to your question of what the rent reductions might be, I really do not know.

The CHAIRMAN. I think that is very important.

Mr. LUSK. Suppose I say this: If the rents are cut 10 per cent, it will reduce the income on these buildings to 3 per cent. If they are cut 20 per cent, it reduces the income to 1½ per cent. If they are cut 30 per cent, it will wipe out the income.

The CHAIRMAN. There has been nothing like a general reduction of 10 per cent, even, up to this time.

Mr. LUSK. Yes, sir; there has been a general reduction of 10 per cent.

The CHAIRMAN. Do you claim, now, that that is the case?

Mr. LUSK. Yes, sir; not all of it taking place this year, please understand. You see, Senator, rents came down before other commodities, and it is perfectly natural that they should.

The CHAIRMAN. I do not think you can produce the evidence to maintain that position.

Mr. LUSK. That they came down before other commodities?

The CHAIRMAN. That rents were the first to come down. I think foodstuffs and clothing came down before rents, and came down faster than rents.

Mr. LUSK. Much faster.

The CHAIRMAN. My observation and information is that rents have been about the last thing to come down in the cost of living.

Mr. LUSK. They have gotten down to a lower point than other commodities since the crash started. Rents were reduced in Washington, according to my figures, in 1930 almost 4 per cent, from a separate survey I made.

Senator COPELAND. I want to ask Mr. Lusk the same question that Senator Capper has asked, in a little different language.

Are the rents that are actually being collected now 10 per cent less than they were at the time you are talking about?

Mr. LUSK. I can figure it for you.

Senator COPELAND. The point is, I am not interested in having a statement made that Apartment 2400, Sixteenth Street, has had a 10 per cent reduction, when that means merely that if there are any vacancies to be found in that house they can be rented at 10 per cent below the old price. What I want to know is, do the tenants in 2400 Sixteenth Street actually have a 10 per cent reduction below what they have been paying in the past?

The CHAIRMAN. That is the vital thing.

Senator COPELAND. That is the vital thing.

Mr. LUSK. During the last year the actual rents collected have dropped to almost precisely the actual amount of the rent reductions—just a little over 5 per cent.

The CHAIRMAN. The rent reductions, then, are only a little over 5 per cent?

Mr. LUSK. This last year; yes, sir.

Senator COPELAND. That is to say, the amount collected in rents is 5 per cent less than the amount collected in your basal year?

Mr. LUSK. Yes, sir.

Senator COPELAND. What was that?

Mr. LUSK. Last year, 1931. That is correct.

Senator COPELAND. That is, the money actually collected in rents in 1932—extended out for the year, I suppose—

Mr. LUSK. Yes, sir.

Senator COPELAND (continuing:) Amounts to 5 per cent less than in 1931? Is that right?

Mr. LUSK. That is correct.

Senator COPELAND. And the amounts collected in 1931 are how much less than were collected in 1930?

Mr. LUSK. I am sorry; we could not get those figures.

Senator COPELAND. Are you not enthusiastic when you say that the rents now actually collected are 10 per cent less than they were in a basal year, a fair year?

Mr. LUSK. I said they were 10.1 per cent less where we had buildings on which we could get schedules prior to 1932; that this year they had dropped 5.5 per cent, and that our previous figures showed that they had dropped 4.6 per cent.

Senator COPELAND. Making a total of 10 per cent?

Mr. LUSK. Ten per cent; yes, sir.

Senator COPELAND. What have you to say to me about the ninety and nine persons who have leases which date back two or three years? Have they had any reduction in rent?

Mr. LUSK. Senator, I may not be accurate, but I never heard of an apartment-house lease in Washington longer than one year. They may have them in some cases, but I think it is very, very rare. It is not like New York, where they often lease for five years.

Senator COPELAND. Did not that nice-looking girl from my State who testified yesterday, Miss Kelly, talk about a two-year lease that she had?

Mr. BRINKMAN. Fifteen months, I think. They wanted her to sign a 15-months' lease if they gave her a small reduction, $2.50 a month, or something like that.

Mr. LUSK. That is really very unusual. I leased the Kennedy-Warren apartment, or at least leased a considerable part of it; and we did not get a lease, try to get a lease or an offer of a lease, for more than a year. It is not the custom.

Senator COPELAND. Of course I am not familiar with the situation here; but with us we lease for two or three and even five years, as I know to my disadvantage.

The CHAIRMAN. Many of them, Mr. Lusk, go on year after year, and year after year, holding the same apartments. Would you say that since this depression came on, and since the Government made a cut in the pay of its employees, all these tenants, these renters, have benefited by a reduction of 10 per cent?

Mr. LUSK. No, sir; I would not make so broad a statement. There must be exceptions, or there may be exceptions.

The CHAIRMAN. But do you think the great body of renters have been given a reduction of at least 10 per cent?

Mr. LUSK. I would not say they had been given it this year according to these figures; no, sir; but since the base period we have taken, 1928, yes. Of course many of them have gotten a great deal more reduction.

The CHAIRMAN. 1928: That is four years ago. Conditions now are very different from what they were then.

Mr. LUSK. I know of an apartment in the La Salle, for instance, that has been reduced from $250 to $175; but that is not a typical example. That is a great deal larger reduction than most of the others.

The CHAIRMAN. I should think you could bring a report here that would show just how many apartments out of all these houses in the past year have been given the benefit of a reduction and how many have not.

Mr. LUSK. This shows it, sir. It does not show it by individual apartment units, but it shows it by buildings. We have every building here, and whether they had an increase between 1928 and January, 1931.

The CHAIRMAN. Yes; but does it show the number of the last year?

Mr. LUSK. It shows it from January to October of this year, whether or not it has had an increase, and the amount—seven of them.

The CHAIRMAN. What is the total of that? How many apartments, how many renters, have been given an advance in the District of Columbia in the past year, and how many have not had an advance during the past year in the District of Columbia? Have you anything to show that?

Mr. LUSK. Taking these 219 buildings here, we have 7 of them in which there has been a rent increase in the last 8 months. The rest of them have all had decreases. Seven is a little less than 3 per cent of the number of buildings.

The CHAIRMAN. But that is the number of apartment buildings?

Mr. LUSK. Apartment buildings; yes, sir.

The CHAIRMAN. What I mean is, the individual apartments. How many renters have had a reduction in the last year, and how many have not?

Mr. LUSK. I can figure it for you in just a second.

The CHAIRMAN. In other words, what is the total number of renters in the District of Columbia, and what part of that number have had a reduction in the past year?

Mr. LUSK. There are 125,000 families in Washington. About 35,000 of them live in houses that they more or less own. I should say that among the renters 87,500 have had reductions.

The CHAIRMAN. In the past year?

Mr. LUSK. Yes, sir.

The CHAIRMAN. Out of 125,000?

Mr. LUSK. No, sir; out of about 90,000.

The CHAIRMAN. 87,000 out of 90,000 have had a reduction in the past year?

Mr. LUSK. Yes, sir; if we can take this as a fair sampling, and I think it is.

The CHAIRMAN. That is rather surprising to me, in view of the complaints we have had from the Government employees of this District. Senator, what do you think about this? Mr. Lusk makes the statement that, based on the investigations he has made here, about 87,000 out of 90,000 renters in the District of Columbia have had a reduction this past year.

Senator COPELAND. Well, Senator, of course I do not question Mr. Lusk's good faith.

The CHAIRMAN. No; I do not, either.

Senator COPELAND. He understands that; but I do not believe it. (Applause.)

Senator COPELAND. I do not need any applause for that, but this is what I want, and I hope the press will note that the committee wants it: We want to know how many people are living in apartments under lease where there have been reductions which the leaseholders have not enjoyed, because I know it is so, and that is what makes it so

difficult for these Government employees. I do not care about Senator Couzens and Ogden Mills and some other billionaires. I am not interested in them; but we have forced upon 100,000 employees of the Government a material reduction in wages, and if a lot of Senators and Congressmen have their way there will be further reductions. We have to look after them, and that is the reason why the founders gave us a 10-mile square Federal district—so that we could have authority in that territory, and have something to say about the conditions under which the people live. Now, there must be found by these landlords a way to reduce rentals so that everybody enjoys the same reduction. That is not the case to date; and I think Mr. Lusk is very badly mistaken when he says that such a large percentage have benefited.

The CHAIRMAN. That would be my view of it, I am sure.

Senator COPELAND. I say that entirely without offense.

The CHAIRMAN. Mr. Lusk has given us some valuable information here.

Senator COPELAND. It is valuable—extremely so.

The CHAIRMAN. But I am still of opinion that a great many Government employees, especially, have not participated in these reductions; and I think, with all due respect to the others, you and I are more interested in the Government employees, because we have had some part here in reducing their incomes. They have less to live on.

Senator COPELAND. I think you and I both voted against the bill; but, you mean, as members of this body we have the same responsibility.

The CHAIRMAN. Yes.

I wonder, Mr. Lusk, if you can give us any information on this point, which has been raised here:

Taking the average of rent as $60 for an apartment—I think that is supposed to be pretty close to the average; is it not?—what per cent of the reductions are over $60, and what under $60?

Mr. LUSK. We do not have it divided in that way. That could be compiled from Mr. Brinkman's questionnaires, I think. Do you not have them by each apartment?

Mr. BRINKMAN. I tried to get them that way, but I could not get them. For instance, one of the largest agents in the city, the Rust company, did not give them to me that way until we finally brought them down here twice, and then they gave them to me just a short time before this hearing.

Mr. LUSK. Yes; I heard things said about them yesterday.

Mr. BRINKMAN. I am not condemning them. That is just a fact; and Mr. Bowie is here from the Rust company if it is not.

Mr. BOWIE. I did not hear what you said.

Mr. BRINKMAN. I said we did not get the apartment rentals divided into units until shortly before this hearing, after you had been brought down here twice under subpoena.

Mr. LUSK. Is the purpose of that question to show that the rent reductions have been in the large apartments and not in the small ones?

The CHAIRMAN. That is what I should like to know, yes—whether it is true that those who are occupying the larger apartments have benefited more than the little fellow.

Senator COPELAND. That is, that the reduction has not been in the right place.

The CHAIRMAN. Yes, that is it. I was wondering if you could enlighten us on that subject.

Mr. LUSK. The rent reductions in the large apartments are largely a matter of bookkeeping, because most of them are vacant. They always have been in the last four years. I have made several surveys, and as you get into the larger apartments you find your vacancies are much greater. There were 16 per cent vacant in the large apartments here three years ago, when the general vacancy was less than 9 per cent. I presume there may be larger reductions in those big apartments. They are very difficult to rent, even those that are cheap. Right over here on A Street there is a nice building I have in this report where you can get six rooms and bath for $55, and every one of those six-room-and-bath apartments is vacant in that building, and all the smaller ones are rented.

Mr. BRINKMAN. What apartment is it?

Mr. LUSK. I can not remember the name of it. It belongs to the Albert Carry properties.

May I go on? I do not want to take too much time, Mr. Chairman, but this is a report that the board has been working on for some time, and really we are trying to give the facts as nearly as we can find them.

Senator COPELAND. It is a very interesting report. I hope you will go on, Mr. Lusk.

Mr. LUSK. Thank you, sir. "Praise from Sir Richard is praise indeed." [Laughter.]

Senator COPELAND. I will reserve my comments until we get all of the report before us.

Mr. LUSK. I have given here, at considerable length, details as to the reduction of rents and other commodities, but I think we have covered that.

The CHAIRMAN. You still insist, now, that rents have been reduced in line with reductions in other commodities?

Mr. LUSK. Yes, sir. I do not insist that my rent has gone down as much as my suit of clothes will cost, if and when I can buy one.

The CHAIRMAN. My own information and observation is that the reduction of rents has been less.

Mr. BRINKMAN. Here are the official labor figures for Washington as to the decline.

The CHAIRMAN. Mr. Brinkman calls my attention here to the changes in cost of living in 19 cities from December, 1914, to June, 1932, on page 428 of the Monthly Labor Review of the United States Department of Labor, Bureau of Labor Statistics. They show that on rent the increase in June, 1928, had been 32.7 per cent. That is over four years ago. That is the percentage of increase from December, 1914, to June, 1932. In June, 1932, the percentage of increase was only 27.1 per cent, so that the reduction was really 5 per cent less in those four years.

Mr. LUSK. May I interpret those figures, sir?

The CHAIRMAN. Yes; we should like to have your interpretation of them.

Mr. LUSK. Those are the figures I quoted.

In June, 1928, the index number was 132.7, meaning that the rent had gone up 32.7 per cent over 1914. The index number for June, 1932, is 127.1 per cent. That is a difference of 5.6 points. It is more than 5.6 per cent, however. It is 17 per cent, because you have a different base to work from.

The CHAIRMAN. Have you made comparisons with other cities in the same report?

Mr. LUSK. Yes, sir; I have the comparison right here.

The CHAIRMAN. Where it shows that the decrease in the city of Washington is less than in any other city?

Mr. LUSK. Where is that? It is not in this table that I have here.

The CHAIRMAN. This is in the Monthly Labor Review of August, 1932, the last thing that is available. It shows that starting in June, 1928—that is over four years ago—the reduction in rents in Portland, Ore., was 7.7 per cent, and that was very low. That was the next lowest to Washington, D. C.

In San Francisco the reduction was 20.9 per cent during that period, whereas in Washington, D. C., it was only 5.6 per cent.

The reduction in Savannah, Ga., was 31 per cent, as against 5.6 per cent for Washington.

The reduction in Seattle, Wash., was 30.2 per cent, as against 5.6 per cent for Washington, D. C.

The reduction in Cleveland, Ohio, was 31.9 per cent, as against our 5.6 per cent.

The reduction in Houston, Tex., was 30.2 per cent, as against 5.6 per cent for Washington, D. C.

Jacksonville, Fla., was pretty low; and yet they show a decrease of 16.5 per cent, as compared to only 5.6 per cent in Washington, D. C.

So, as a matter of fact, it shows that a reduction in Washington in this period of the last four years was the least of any city in the country, as shown in this Government report.

Mr. LUSK. Of course we are talking about two different things, Senator. I am talking about the relative condition of rents here as compared to what they were before the war and what they are to-day. Washington did not go up as much as some of those cities. Many of those cities you quote are still paying more rent to-day in comparison with what they paid before the war than Washington pays to-day. As I say, New York is 51 per cent and Baltimore is 53 per cent above what rents were before the war.

The CHAIRMAN. It still shows that in this period of depression, when everything has gone down, Washington has reduced less than any other city.

Mr. LUSK. That is quite true; but do you not admit, sir, that they went up higher, and they had farther to fall?

Senator COPELAND (to the chairman). You are not going to admit it, of course.

The CHAIRMAN. No; I am not. There may have been reasons for that.

Senator COPELAND. There was a very good reason for it. We did a very sane thing here. We had a rent commission, and controlled

matters. Perhaps they did not go as high as they would have gone otherwise; but perhaps we need to have it again, Senator, to see that justice is done.

I should like to ask whether almost all of the houses included in your yellow sheets are corporate-owned? Are they owned by corporations?

Mr. LUSK. We did not get the names of the owners; but practically all of the smaller buildings, I should say, are owned by individuals. Now, may I cite an example opposite to what was cited here yesterday by this Miss Kelly to show how the owner is affected?

I had a girl working on this report with me whose sole income and whose mother's sole income is an apartment house; and she was just getting ready to ask a lady to get out who had five months' rent free. She let her stay there five months.

Senator COPELAND. The purpose of my question was to find out whether the renters of property in Washington are not paying exorbitant rents in order that interest may be paid on values that never did exist.

Mr. LUSK. That may exist in individual cases; but, as I endeavored to point out, our returns and the rents that the landlords are trying to get are based on the assessed value. It is stated in the resolution that these rents are exorbitant. I looked up the definition of "exorbitant" this morning, and it means going beyond the rule or established limits of right or propriety. I do not think a landlord who endeavors to make 2 or 3 or 4 per cent on his money, and charges rents accordingly, is going beyond the established limits of right or propriety.

Senator COPELAND. We are not talking about that landlord; but I looked through your list, and you have a lot of them that are getting 8 per cent, 9 per cent, 10 per cent, and even 11 per cent. What about their going beyond the limits of right and propriety?

Mr. LUSK. I can tell you the exact number of them. There are 19 in the list that are making more than 8 per cent, and 19 that are making between 7 and 8 per cent, of the 227.

Senator COPELAND. How many of them are making 5 per cent or more?

The CHAIRMAN. The average is 4.8 per cent.

Mr. LUSK. 4.5 per cent. 5 per cent or more, you say? Let me see: 79 out of 227, or about one-third, are making 5 per cent or more.

Senator COPELAND. Certainly in these times they are not suffering.

Mr. LUSK. Perhaps they are not. Do not forget that 64 per cent of them are making 5 per cent or less, and 35 per cent of them are making 3 per cent or less, and about 20 per cent of them are making 2 per cent or less; and remember, those figures are based on the ideal situation, where there is no mortgage.

In the case of a building that is earning only 5 per cent, and has to pay interest on a mortgage, it means that the landlord actually gets less than 3 per cent on his investment. If that building is earning 3 per cent, there is nothing left. If it is earning 2 per cent, he has to go into his pocket.

Senator COPELAND. This committee will never defend the financial machinery necessary to get money. We are not going to do that. We know perfectly well that the man who buys a property and then puts a mortgage on it has to pay dividends on a lot of hush-money, so to speak. He is being outrageously treated. We are not excusing that; but I assume you are right in saying that if it is on the assessed valuation, as those returns are, we can not complain particularly. The fact remains, nevertheless, that these reductions have not been uniform. They have not been spread out so that all the people have had the benefit of them. Certainly the figures in some way can be analyzed to show that a very large proportion of these Government employees have not had any such reduction as 10 per cent or 5 per cent in their rents, and they are the ones that we are seeking to protect.

That is where you ought to help us. You must have formed some conclusions about what we ought to do. Are you going to give those to us in your paper?

Mr. LUSK. These? Yes, sir.

Senator COPELAND. No; I mean, your conclusions as to what we ought to do.

Mr. LUSK. I have reached no conclusions on this study. That study could be made. Of course, it would cost money. It could be done. It would be a comparatively simple thing to pick a thousand Government employees and find out what their actual reductions are—another sample.

Senator COPELAND. You would not have to spend any money to find that out. All you have to do is to count up the number of employees that we have in the Government service. They have all been reduced.

Mr. LUSK. I meant rent reductions, sir.

Senator COPELAND. Rent reductions; yes.

Mr. LUSK. May I go on to the next point?

The CHAIRMAN. Where rental property has been sold under foreclosure, has it become customary to reduce rents in proportion to the investment of the last buyer?

Mr. LUSK. I have no information on that subject.

Mr. BRINKMAN. I have a little information on that subject, Senator.

The CHAIRMAN. What is your information, Mr. Brinkman?

Mr. BRINKMAN. I just happened to notice here in the Rust Company report that they gave me a very brief report on the Clifton Terrace Apartments at Fourteenth and Clifton Streets, which was bought under foreclosure by the New York Life Insurance Co. for $750,000. They show a reduction there of 6½ per cent.

However, they also show an income on the rates charged in October, 1932, of $189,000. That is practically $190,000 gross; and on the usual basis of figuring, including depreciation—these are the figures compiled by the assessor of the District, who has actually made a check of costs of operating buildings—he says that 50 per cent of a well-operated building's gross income can be credited to net income. So, using that figure, the New York Life Insurance Co. have a net income of $95,000 a year on that rental scale, or 13 per cent on their investment, on that large apartment property at Clifton Terrace, if they collect that scale of rents. So that having

bought the property under foreclosure they should be able to make 13 per cent if they can rent it at the figures at which they are trying to rent it.

Mr. BOWIE. I shall be glad, Mr. Chairman, to tell you all about that when I have my chance.

The CHAIRMAN. All right, Mr. Bowie. We will give you a chance. We want to get all the facts here.

(Thereupon, at 1.15 o'clock p. m., the subcommittee took a recess until 2 o'clock p. m.)

AFTER RECESS

The subcommittee reconvened at 2 o'clock p. m., after recess.

The CHAIRMAN. Shall we proceed with Mr. Lusk?

Mr. BRINKMAN. I have a witness here from Virginia. He is an official in Virginia and is very anxious to return to his office. I would like to put him on the stand, examine him briefly, and then let him get back to his office.

The CHAIRMAN. Very well.

Mr. BRINKMAN. I will call Mr. Petty.

TESTIMONY OF JOHN A. PETTY

Senator COPELAND. Is Mr. Petty to be sworn?

Mr. BRINKMAN. I will have to determine that. Mr. Petty, are you willing to sign a waiver of immunity?

Mr. PETTY. Yes, indeed.

Mr. BRINKMAN. Letting the committee discharge you from the subpœna and you will then appear voluntarily?

Mr. PETTY. I am here because I have a subpœna. I am here in answer to a subpœna and have been sitting here for two days.

Mr. BRINKMAN. I think we can go ahead then without the waiver.

Senator COPELAND. Do you want him sworn?

Mr. BRINKMAN. Yes.

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. Mr. Petty, were you the executive secretary of the Washington Real Estate Board between February, 1930, and January, 1931?

Mr. PETTY. Yes.

Mr. BRINKMAN. Between February 20, 1930, and January 3, 1931?

Mr. PETTY. Yes.

Mr. BRINKMAN. Were you also the executive secretary of the Washington Real Estate Board from May 5, 1931, to March 18, 1932?

Mr. PETTY. Yes.

Mr. BRINKMAN. You were continuously the secretary?

Mr. PETTY. Yes.

Mr. BRINKMAN. Just exactly how long were you executive secretary of that board?

Mr. PETTY. From 1921 to 1925. Then I left in 1925 and came back in 1928 and remained until April, 1932. I left in the spring of 1932.

Mr. BRINKMAN. During that time, from February, 1930, to March, 1932, was there a mortgage and finance division or committee?

Mr. PETTY. I could not say without referring to some records.

Mr. BRINKMAN. You do not know?

Mr. PETTY. There was one, I remember, practically all that time.

Mr. BRINKMAN. You attended their meetings or some of them and made minutes?

Mr. PETTY. Oh, yes.

Mr. BRINKMAN. Do you know whether there was any meeting of that mortgage and finance division or committee from February 20, 1930, to January 23, 1931? That is a period of about a year there, all of the year 1930 from February on, and until January of the succeeding year, 1932?

Mr. PETTY. I could not tell without referring to the minute book. I could tell by looking at that.

Mr. BRINKMAN. The reason why I am asking you is that there are no minutes in the book between those dates for that committee, so we have to rely on your recollection. Do you remember the committee having been wiped out or dropped after February of 1930?

Mr. PETTY. There was a period of time——

Mr. BRINKMAN. That was only two years ago.

Mr. PETTY. Yes; I know. There was a period of time when I came back with the board in 1928——

Mr. BRINKMAN. No; I am not talking about that.

Mr. PETTY. I am trying to come up to date. You are talking about 1930?

Mr. BRINHMAN. Yes. There were some meetings up to February 20, 1930, as the minutes show.

Mr. PETTY. I just do not know. I could refresh my memory by looking at the minute book.

Senator COPELAND. Did you keep the minutes?

Mr. PETTY. Oh, yes.

Senator COPELAND. There were minutes?

Mr. PETTY. I kept minutes of all meetings we held and that I attended.

Senator COPELAND. How often did you meet?

Mr. PETTY. There was no regular time for committee meetings.

Senator COPELAND. Once a month or once a week?

Mr. PETTY. Periodically; sometimes they would not meet for several months. Of course, the board of directors and executive committee met more or less regularly, but the other committees sometimes might go several months without having meetings.

Mr. BRINKMAN. Would they go as much as 10 months, an important committee like the mortgage and finance committee?

Mr. PETTY. There was one period of time where they may have gone that long. I do not know whether it was 1930 or earlier. It was a period of time or reorganization when I came back with the board. There were some changes in the by-laws abolishing divisions and making them committees. I do not know whether you noticed the change or not. In that instance, when I came back in the spring of 1928, it may have been from that spring until early winter of 1929 there were no meetings.

Mr. BRINKMAN. This period was after that time of which you are speaking, after the reorganization?

Mr. PETTY. That may have been the time you are speaking of, but I could not tell.

Mr. BRINKMAN. 1931 was last year. Do you remember whether there were any meetings of that committee from May of last year to March of this year, a period of about 10 months?

Mr. PETTY. I should think there was. I would not want to swear to it, though.

Mr. BRINKMAN. Did you attend all the meetings of that committee?

Mr. PETTY. When I was secretary; yes.

Mr. BRINKMAN. Did you keep minutes of all those meetings?

Mr. PETTY. Oh, yes.

Mr. BRINKMAN. Do you have any of those minutes in your possession?

Mr. PETTY. No.

Mr. BRINKMAN. Or duplicate copies of the minutes?

Mr. PETTY. No. There was a regular minute book of those things.

Mr. BRINKMAN. May I explain to the committee that the minutes of that very important committee are missing or there are no minutes for those periods, two periods of about 10 months each, and yet there are minutes for periods before and after. The committee was meeting quite regularly and that committee will be involved in some testimony we will introduce later as to the combination of these real-estate men. That is why I want to determine whether they had any minutes, because there is a period of 20 months when there are no minutes appearing in the book.

Senator COPELAND. Do I understand you have some earlier minutes?

Mr. BRINKMAN. Yes.

Senator COPELAND. And there is an interim?

Mr. BRINKMAN. Yes; a hiatus.

Senator COPELAND. Then there are some other minutes?

Mr. BRINKMAN. Yes; and then a break.

Senator COPELAND. Then some more minutes?

Mr. BRINKMAN. Yes.

Senator COPELAND. Then a hiatus of about 10 months, or two periods of about 10 months each?

Mr. BRINKMAN. Yes.

Senator COPELAND. Those minutes have disappeared?

Mr. BRINKMAN. If there were minutes. I am not saying there were, but that is important to know.

Senator COPELAND. In what form do the minutes appear?

Mr. BRINKMAN. They are in a typewritten loose-leaf book.

Mr. PETTY. There was a lapse of time at which these different committees did not meet for months at a time because there was nothing for them to do. They were not governing committees of the board. They had no power or authority in themselves. Whatever they did they had to report.

Mr. BRINKMAN. That committee was a major committee.

Mr. PETTY. It was one of the major committees.

The CHAIRMAN. You had custody of the minutes all that time?

Mr. PETTY. Oh, yes.

Senator COPELAND. Have you those minutes which do appear, Mr. Brinkman?

Mr. BRINKMAN. Yes; I have.

The CHAIRMAN. How do you explain the absence of those minutes for the particular periods to which reference has been made?

Mr. PETTY. The only thing I can say is that there may have been a period of months at a time in which there was no meeting of those particular committees. Whatever meetings I attended, the minutes were written and put in the book, and I think you will find my signature on all of them.

Senator COPELAND. The sheets were not numbered, were they?

Mr. PETTY. No. That book contains the minutes of all kinds of committees.

Mr. BRINKMAN. Do you recognize this to be the minute book?

Mr. PETTY. Let me see it. My signature is on those minutes, is it not?

Mr. BRINKMAN. Yes; on some of them.

Mr. PETTY. You have turned to a year I was not with the real-estate board.

Mr. BRINKMAN. Yes; we were working up to the year when you did become secretary.

Mr. PETTY. I think while I was away the practice developed for the secretary of the committee signing the minutes, evidently. There is a place for the signature here. During my time I signed them myself.

Mr. BRINKMAN. That is the minute book?

Mr. PETTY. Yes. When I came back I started with my signature.

Mr. BRINKMAN. That is the record of the real-estate board?

Mr. PETTY. Oh, yes.

Mr. BRINKMAN. It is a loose-leaf book?

Mr. PETTY. Yes. You see my signature on all those when I was there.

Mr. BRINKMAN. I would like to have that book identified by the official reporter of the committee.

The CHAIRMAN. That may be done.

(The book referred to is identified by the reporter's notation therein "For identification, J. R. W.")

Mr. BRINKMAN. February 20, 1920, to January 30, 1931, was the period I mentioned first. This is quite an important point or I would not bother the committee.

The CHAIRMAN. Do you think meetings were held during that time?

Mr. BRINKMAN. That is my opinion, because the committee was meeting regularly before and after that time, but here are two periods of 10 months each when there are no minutes. I think the Department of Justice can check up ultimately in another way but I thought we had better get the testimony of the secretary at that time.

Do you find the minutes after February?

Mr. PETTY. I did not look for any minutes. I was trying to identify the book; that was all.

I would say for the information of your committee there are other files in the real-estate board—for instance, the minutes of the executive committee and of the board of directors, as well as a file for each committee, as I recall, property management, mortgage and finance, and so forth, in which file all notices and correspondence between the board and members of those committees should be found. If there were any meetings held in those particular 10 months to which you are referring, I should think that could be very easily established by some other related evidence. There is bound to be some connection between the work of those committees and the governing bodies. There is bound to be some authorization to them to do something or a report from them or some copies of matters emanating from them or to them relating to some meeting or some conference. If you have all the records and went through them you could very easily establish the fact that there were meetings. I do not say that there were and there probably were not if there are no minutes in the book. I presume the real-estate board has continued the same policy I had when I was there of writing the minutes of every meeting that was held.

Senator COPELAND. Would it not be an unusual thing to have a period of 10 months without a meeting?

Mr. PETTY. I would not say it was unusual, because those committees were busy sort of periodically. They were not active committees like the membership committee.

Senator COPELAND. That is, just at the time of an investigation that Congress might conduct, they would be very active?

Mr. PETTY. No. You would find by a study of the minutes that the activities of the real-estate board in respect to congressional work is all in there, either the board of directors or the executive committee. They were the governing bodies. These other committees had no authority to act or speak for the board. I think if there are no minutes shown for a period of 10 months and if Mr. Brinkman's contention is that meetings were held during those 10 months, he could establish that by other evidence in the files, evidence of notices, calling the meetings, of reports to the executive committee, all of which would be embodied in the minutes of the executive committee or the board of directors.

Senator COPELAND. Have you those other files, Mr. Brinkman?

Mr. BRINKMAN. No; I have not.

Mr. RUSH. Those files are here. All of the files are here that you subpœnaed—all of the files Mr. Petty has mentioned.

Mr. BRINKMAN. Would there be a separate jacket or file for the mortgage and finance committee?

Mr. PETTY. I think probably there would be.

Mr. BRINKMAN. Do we have that, Mr. Rush?

Mr. RUSH. No; there are none so far as I know. All I know of is simply notices. You have from 1925 down to the last notice of several weeks ago urging members to put in their questionnaires.

Mr. PETTY. My policy was to take sample notices and put them in the notice file.

Mr. BRINKMAN. Did you also have a folder for the committee?

Mr. PETTY. My recollection is that there was a folder down there.

Mr. BRINKMAN. You do not have to recollect very much. This was only a year ago about which I am asking you.

Mr. PETTY. Bear this in mind——

Mr. BRINKMAN. In fact, it was not a year ago. It was only six or seven months ago.

Mr. PETTY. I did not personally handle the files. We had two or three clerks who handled the files. It is my recollection there was a file for the mortgage and finance division. I would not swear there was, but my recollection is there was.

Mr. BRINKMAN. Don't you recollect whether there were any meetings of the mortgage and finance committee early this year?

Mr. PETTY. In 1932?

Mr. BRINKMAN. Yes, sir.

Mr. PETTY. I would say not. Since that little brown book, which was introduced here this morning, bearing date October 31, was printed, I really doubt if there has been a meeting of the mortgage and finance division.

Mr. BRINKMAN. That book established the rates of commission and so on?

Mr. PETTY. Yes—unless it was an informal lunch meeting.

Mr. BRINKMAN. It appears there have been meetings since that date for which we do have minutes. However, that is all.

Mr. PETTY. Am I excused from the subpoena?

Mr. BRINKMAN. Yes.

(Witness excused.)

TESTIMONY OF RUFUS S. LUSK—Resumed

The CHAIRMAN. I would like to ask about one feature of this matter that has been brought out. Everything you have given us so far has to do with apartment houses. Have you made any study or inquiry as to the situation with reference to rents of residences?

Mr. LUSK. No, sir.

The CHAIRMAN. Of detached or separate houses?

Mr. LUSK. No, sir; we have not. There is this that might be said about that, that all types, kinds, and prices of dwellings are more or less bound up in each other. If one changes the other changes. If one goes up the other goes up.

The CHAIRMAN. Have you any idea how many families in the District of Columbia are occupying dwellings as renters?

Mr. LUSK. I think there are somewhere around 90,000 dwellings. Perhaps that is a little high. In 1920, 30 per cent of those were owned, which would mean 70 per cent of them were rented. If we had 90,000 dwellings, the 70 per cent rented would be 63,000 rented. There would be vacancies of course.

The CHAIRMAN. Have you any information as to what reduction the renters of dwellings have received, if any?

Mr. LUSK. No, sir; not separately.

The CHAIRMAN. How would we be able to get that information?

Mr. LUSK. The same way we got at this.

The CHAIRMAN. Just making a survey—going from house to house?

Mr. LUSK. That would be very expensive and very difficult. It could be gotten from the rental offices supplying data on rents for a year or two or three wears ago on individual dwellings, and what they are to-day. It is very difficult to rent dwellings now that are bringing $50 to $75, and up.

The CHAIRMAN. The same firms that handle apartments also handle a large number of dwellings, do they not?

Mr. LUSK. A good many of them do; yes, sir.

The CHAIRMAN. They might be able to give information on that subject?

Mr. LUSK. I should think so; yes, sir.

The CHAIRMAN. The information I get is that there have been practically no reductions in rents of dwellings.

Mr. LUSK. I know in my own neighborhood where I live, in Burleith, there is no question of rents being reduced there. Houses that rented for $90 two years ago rent to-day for $75. My own house would not bring over $75 to-day.

The CHAIRMAN. I was wondering why, coming here for the real estate board which of course handles a large part of these dwellings and the rental of dwellings, there is not more information given to us along that line.

Mr. LUSK. I think the reason probably is that Mr. Brinkman requested information only on apartments, so far as I know. Is not that right?

Mr. BRINKMAN. The same firms that handle apartments also handle houses. I also made inquiry about house rentals and I have some information. Generally you are right, Senator Capper. The rents have not come down for the middle-class houses. The rents of homes of the wealthy have been reduced considerably, because a good many formerly wealthy people are not wealthy any more. I have figures to show there have been practically no reductions on homes occupied by the laboring class, for instance. The figures I will introduce later from the Department of Labor show the rent per room has come down about 12 cents a month. I will introduce those figures in detail later.

Mr. LUSK. Did not Mr. Ihlder answer that question yesterday quite well, in which he said the rents of the lower-priced dwellings compare favorably with other cities?

Mr. BRINKMAN. I will also show that is not correct. I have absolute figures on 700 houses in this city and 700 in other towns, and so on.

Mr. LUSK. It should be added that you do not know whether you are comparing the same thing. Mr. Ihlder is an authority. He was called, I believe, by counsel for this committee.

Mr. BRINKMAN. Not to testify as to rents. He admitted he was not qualified to testify on rents. He testified on the subject of housing conditions.

Mr. LUSK. Do you think that a housing expert such as he is, employed by the Housing Association of Pittsburgh and Boston, would not know something about rents? How could he be an expert otherwise?

Mr. BRINKMAN. He expressly disclaimed any knowledge of whether rents are fair here or not.

Mr. LUSK. He made the statement that they compare favorably.

Mr. BRINKMAN. He qualified it according to my recollection. We have the actual figures so we do not have to take anybody's opinion.

Senator COPELAND. Has this anything to do with the question before us?

The CHAIRMAN. My inquiry was as to what reductions had been made in rents of dwellings. Our whole investigation so far has been confined to apartment houses. As he says, there are about 60,000

families occupying dwellings and renting dwellings. They, of course, have some interest in this question of rent reduction, the same as the apartment-house renter has.

You may proceed, Mr. Lusk.

Mr. LUSK. The next subject is that of vacancies. I believe the committee has gone ahead with the thought that a reduction in rent probably means an increase in occupancy of apartments. I have not heard the statement made here, but numerous statements have been made that if rents are reduced the idle apartments would be filled.

Senator COPELAND. I do not think we have argued that.

Mr. LUSK. I said I did not hear it before the committee. The vacancy of these apartments is 17.4 per cent as of October 1. The vacancy in 1929, according to surveys made, as of November, 1929, was 9.9 per cent; in 1930 it was 7.1 per cent; and in 1931 it was 7.8 per cent. In a year the vacancies have a little more than doubled.

The question comes, What is the reason for this increase in vacancies? There are just as many people here; in fact, there are more, a few more than there were a year ago, yet our vacancy has doubled. There are in the neighborhood of 7,000 idle apartments in Washington to-day.

The CHAIRMAN. Is it not a fact that a large number of families, under the stress of hard times and out of employment, are doubling up, as we might say?

Mr. LUSK. Yes, sir.

The CHAIRMAN. Not only families, but individuals, too?

Mr. LUSK. Yes, sir.

The CHAIRMAN. I have been told that many Government clerks are doing that; that young women will go in and occupy one apartment together, and in other apartment houses young men are occupying one apartment together where formerly they had occupied separate apartments and that they are doing this in order to reduce their expenses because their incomes have been reduced largely. Does not that have a lot to do with your increased vacancies?

Mr. LUSK. Yes, sir.

The CHAIRMAN. Proceed.

Mr. LUSK. Yesterday Mr. Ihlder said he could not testify as to "doubling up" in Washington, but he said he thought probably that did exist here. Frankly, we have no figures about it, but it does exist in other cities. For example, the Department of Commerce, if it is all right to quote them again, has said that the tendency to double up should be very carefully considered in any analysis of vacancy figures. According to the St. Louis survey there are 11,597 extra families in the occupied dwellings, and the number of vacancy units of all types is 19,206. There are almost twice as many units vacant as there were families living with some other families.

The CHAIRMAN. If rents were reduced more than they have been do you not think that would tend to reduce the doubling up? More of the people would remain in their own apartments. This doubling up is going on more and more. If you made reductions worth while do you not think that would reduce the number of vacancies?

Mr. LUSK. The total number of vacancies, if the rents were reduced 20 or 25 per cent more, might decrease somewhat, but this should be remembered. Let me take an example. Suppose the rents

of an apartment house such as the Kennedy-Warren were cut in half. I do not know what the vacancy is there.

The CHAIRMAN. That is hardly an average apartment house, is it?

Mr. LUSK. I want to show the effect it would have. Suppose the rent was cut in half and they had 20 vacancies, those would be immediately filled up because they could get better value; but that would not mean there would be more apartments rented after that cut was made. A man out of a job is not helped by a 10 per cent cut or a 50 per cent cut in rent. He simply can not pay any rent. That is the trouble—they can not pay now.

The CHAIRMAN. But there are a great many people who have had their wages and pay reduced. There has been a general reduction all along the line, unfortunately including the Government employees. They are looking around for an opportunity to reduce their expenditures and the cost of living. They naturally try to work out some plan of doubling up with somebody, and the rents are still remaining about the same, so they seize upon that opportunity. It seems to me that is the way it works.

Senator COPELAND. Conditions are different here than in the average city because it is not so much a matter of a question of unemployment here that affects our rentals. It is the fact that our employed people have been so cut in their incomes that they have been forced to double up. If there were a reasonable reduction in prices, in rentals, it stands to reason, as I see it, that there would be fewer vacancies, because every family would prefer to be in its own quarters if it could afford to have them. We are not dealing here so much with the question of the unemployed as we are with the distressed employed.

The CHAIRMAN. That is true especially of the Government clerks.

Mr. LUSK. Again you overlooked the fact that, according to the testimony here yesterday, there are 40,000 unemployed in Washington. At one time most of those people probably had their individual homes.

Senator COPELAND. I do not think your clients are particularly interested in those 45,000 unemployed.

Mr. LUSK. They used to pay rent.

Senator COPELAND. Very few of them ever occupied apartments such as you have specified in these yellow sheets that you have submitted to the committee.

Mr. LUSK. Some of those relate to colored apartments, and most of the unemployed in Washington to-day are colored. Take the question of the Government pay cut of 8⅓ per cent. As I have testified, the rent reductions have not quite equalled that this year up to October 1. The Government clerk had the benefit of that reduction before he had a reduction in pay. I am speaking, of course, in generalities. Suppose a man's pay has been cut in half and he has been renting a $100-per-month apartment, a 30 per cent rent cut does not help him. He has to get much less pretentious quarters or have his rent cut in half. If we cut the rents in half the landlord would be carrying the burden that would kill them off in six months. They would lose all their buildings.

Senator COPELAND. Then we are helpless. There is no use going on with the meetings of the committee. It is here, and we can not

do anything about it. We are just defeated. Is that your idea? Surely that is not your position.

Mr. LUSK. That the committee is defeated?

Senator COPELAND. Yes; and society is defeated.

Mr. LUSK. But we have the landlord to consider. Does this committee feel that it is the function of the owners of property in Washington themselves to bear all the hardships that many people are now suffering? If that be the case, carry that out logically, and let us ask why should not the Sanitary Grocery Co. and Woodward & Lothrop give groceries and clothes away practically to their customers. They are still making money.

Senator COPELAND. That is mere sophistry. The landlords of Washington should suffer exactly like people have in society generally. Men who have investments that were good two years ago have the same investments that are bad to-day. Every business man, every investor, everybody who has put away money for a rainy day, is affected. There is no reason why, in the face of this universal depression, the landlords of Washington should not take their share of this bitter medicine which the rest of us have to take. That is the attitude I take. It would seem to me that the position that the landlords ought to take is that you ought to bring here some note of cheer, such as "Yes; we can do so and so. We do not want to do it, but rather than have a rent commission and have these matters dealt with by cruel regulation, we propose to do certain things."

I have attended every meeting since the committee was organized, with the exception of one, and I have not seen one single bit of evidence on the part of the landlords of Washington of a desire to cooperate with this committee. It has been uphill work for the committee. You have been finding fault with Mr. Brinkman and growling about his attitude. I have not seen any attitude on the part of the landlords of an honest desire to cooperate with us. If you want to say there is nothing that can be done, that "We can not reduce rents and we do not intend to do so," in spite of the fact that your records show that many of them are making 6 or 7 or 8 or 9 and even as high as 10 and 11 per cent—if you want to say "We can not make any concession," say it, and let us be through with it.

Mr. LUSK. Something can be done.

Senator COPELAND. All right. Now what can be done?

Mr. LUSK. It relates to taxes.

Senator COPELAND. Reduce taxes?

Mr. LUSK. May I go on to that question of taxes?

Senator COPELAND. Proceed. You want the public to bear the burden and say we will reduce the taxes. You are not going to take any less yourselves, so go ahead with taxation.

Mr. LUSK. The second largest expense of apartment operation, and it is going up all the time, is taxes. It accounts for 18.9 per cent of the total maintenance cost. The tenant pays these taxes just as he pays for the fuel, light, repairs, and so forth. Whatever the real-estate tax may be it is passed on to the tenant.

During 1931 taxes amounted to 11.9 per cent of all rents collected. In 1932 12.5 per cent of the total rents collected is going for real-estate taxes. That means the tenant who pays the taxes pays 12.5 per cent of his rent in taxes. If he pays $50 a month on the average, he is paying $6.25 in direct District taxes. I am only talking about

direct real-estate taxes. If he pays the average that a person pays for rent out of his income, over 3 per cent of his salary goes for taxes.

Last year in these buildings the average amount of taxes paid out of each dollar paid in was 11.9 per cent. This year it has gone up. It has gone up because the amount collected in rent has gone down. Our taxes on the whole have not gone down at all.

Senator COPELAND. Is it your contention that the final adjusted tax rate in Washington is higher than it is in other cities of similar size?

Mr. LUSK. I am making no comparison with other cities. I am comparing the income of these apartments to the amount paid out in taxes.

The CHAIRMAN. Taxes here are lower than they are in my part of the country.

Mr. LUSK. That is a very involved question and we do not want to go into that.

Senator COPELAND. It is rather interesting to see how the taxes run. I speak as one who is in favor of keeping the taxes in Washington as low as possible. That has been my attitude always. I have not followed the question of the changes that have been made, but when we find the tax rate here in Washington is 15.3 where the estimated ratio of assessed value to the legal basis is 90 per cent here, and then we go to the city of New Orleans where they are assessed 100 per cent and the tax rate is 33.47, more than twice as great as it is here, it is difficult to believe what we are told about the Washington tax rate being high. When we go to Newark, N. J., we find the tax rate is 39.8.

The CHAIRMAN. That is the tax rate?

Senator COPELAND. Yes; the finally adjusted tax rate.

Mr. BRINKMAN. Per thousand?

Senator COPELAND. Yes. Seattle is 30 and the assessed valuation there is 80 per cent. In Jersey City the rate is 38.89, in Louisville, Ky., 24.8, and in Portland, Oreg., 26.89. As a matter of fact, according to these figures, in cities of this size Washington has the lowest tax rate.

Mr. LUSK. I am not arguing that the Washington tax rate compared with other cities is low or high. The point I am trying to prove, and these figures prove it, is that the amount that is going into taxes is becoming an unbearable burden, no matter what New York or New Orleans could or do pay. You say that the committee wants to help the Government clerk, which, of course, it does. The Government clerk pays these taxes. The Government employee pays 12½ per cent of his rent for taxes. If rents continue to go down, he will pay more out of each dollar for taxes. The per capita tax in Washington——

The CHAIRMAN (interposing). He will have more left to pay with if rents come down. He is paying the rent.

Mr. LUSK. Yes; that is correct. The per capita tax in Washington has increased from $13 in 1900 to $69.09 for every man, woman, and child, and the real estate tax has increased 380 per cent to $41.05 for every man, woman, and child.

The CHAIRMAN. That is about the way it has affected the farmers in my part of the country, too.

Mr. LUSK. Perhaps they have been affected worse. I said 12½ per cent of the gross income goes in taxes.

Senator COPELAND. Of course the farmer is getting 10 or 11 per cent return on the assessed value of his crop; is he not?

The CHAIRMAN. If he is still living on his farm he is happy now in not having had it taken over by the mortgage holder.

Mr. LUSK. When it comes to net income this year in these buildings we have here, 37.8 per cent of the amount of the net income has to be paid in taxes. That means that the man who owns an apartment house, for every $3 he gets, has to give about $1 of it to the Government. That is the average. There are buildings shown in this report where the owner has to match dollar for dollar that he is able to make, with the Government. There are buildings still earning some money. Of those that are in the red, there is no ratio. A great many of them have to pay 50 or 60 or 75 per cent of their net income in taxes.

If you go into business properties I can cite a particular case. My mother owns a store on Fourteenth Street, and about 50 per cent of the net income from that building goes in taxes. If we keep on with this increase of governmental expenses, nobody will want to own any property, for they would not make any money at it.

The CHAIRMAN. I agree with you that it is getting worse.

Mr. LUSK. The way to go about that is not to bother so much what the tax rate is, but to cut down our expenses and then that can be fixed later.

Senator COPELAND. You were the one to raise the question of taxes.

Mr. LUSK. Yes, sir. It is too high, and expenses have to be cut. Next January they will have a little meeting down at the District Building at which 28,000 pieces of property in Washington are going to be sold for unpaid taxes. It is stated that the landlord should be lenient, but is the District Government lenient in taxes? They are selling them just as they did on the day specified as when times were good.

Senator COPELAND. Do we include many apartment houses in those sales?

Mr. LUSK. Everything that is in arrears on taxes.

Senator COPELAND. But do we include many apartment houses in those sales?

Mr. LUSK. I do not know how many, but if they are delinquent they are on the list.

Senator COPELAND. Will there be 20 apartment houses sold?

Mr. LUSK. I have no idea. There will be all kinds of buildings sold at that auction. As long as the present taxes remain as they are, it simply means the rent payer has to pay more in proportion of his dollar in taxes.

Commissioner Reichelderfer stated the other day there would be no increase in the real estate tax levy. Everything else we use we pay less for, or practically everything, and we pay as much and in many cases more in taxes. If the tax rate were reduced, of course there would be a reduction in rentals. We have no control over taxes, no control over the price of fuel, heat, or light, or anything that goes into these apartments, but something can be done about taxes if this committee will follow out, as I know it will, the directions under the resolution to investigate all the facts that concern rentals. If they will do that, they certainly will go into the question of taxation.

Mr. BRINKMAN. I have gone into that matter. In a brief way I will show they are not entitled to any reduction in taxes. I was inclined to think at first they were, but after going into the subject, as I shall explain in detail, I have concluded they are not.

Senator COPELAND. They have pledged that if we reduce taxes they will reduce rents.

Mr. LUSK. That is not a pledge. It is a statement of what will be bound to happen if one man's expenses go down.

The board told the committee that it would endeavor to supply definite facts on rental conditions. We have brought them here. We are frank and open. Where we have had rental increases we have stated them, and where there have been rental decreases we have shown them. We submit that this case, based on the facts, bars out what we maintain, that the price of rents here is not exorbitant unless this committee wants to say that 2.7 per cent on the average is an exorbitant return on an investment.

Senator COPELAND. What per cent?

Mr. LUSK. 2.7 per cent on the equity.

Senator COPELAND. Return on the assessed valuation?

Mr. LUSK. On the equity of the assessed valuation, taking into consideration the mortgage.

Mr. BRINKMAN. You are figuring that above the mortgage?

Mr. LUSK. Yes, paying the secured interest first.

Mr. BRINKMAN. Six per cent?

Mr. LUSK. Generally.

Mr. BRINKMAN. And then 2.7 per cent above that?

Mr. LUSK. No, that the owner gets 2.7 per cent on what he has in it after he pays the mortgage interest.

Mr. BRINKMAN. So the return would be somewhat higher than 6 per cent?

Mr. LUSK. The return would be somewhat less. It would be 4.5 per cent on the total value.

Mr. BRINKMAN. First you are paying 6 per cent on your mortgage, are you not?

Mr. LUSK. That is right.

Mr. BRINKMAN. Then 2.7 per cent on everything above the mortgage?

Mr. LUSK. No, you are not getting it. If you pay 6 per cent on your mortgage and the return on your investment is 4.5 per cent, you lose 1.5 per cent. Is not that clear?

Mr. BRINKMAN. What you are trying to prove is clear, but what you are actually proving is not true in my estimation.

Senator COPELAND. Are these charts which you have presented to the committee to be left here?

Mr. LUSK. Yes, sir. I would like to have them back later and to add the totals on as to the other buildings on which we are working.

Senator COPELAND. They will be extremely difficult to use in their present form. They are not indexed or arranged by streets or territory, are they?

Mr. LUSK. No, sir.

Senator COPELAND. Of course it represents a tremendous amount of work. I do not know that we could make use of them.

The CHAIRMAN. Do you have them totaled?

Mr. LUSK. We have a very brief summary. We did not have quite enough time, because the questionnaires were slow in coming in. We had to answer the committee request first, so the tables I have here are not as complete as they should be, but they are available for the committee.

Senator COPELAND. They are very valuable tables. You have done a fine lot of work on them, and they ought to be made available if they can be, but in their present form they would hardly be usable.

Mr. BRINKMAN. We could look them over. I do not think it is necessary, particularly, but he might leave them for a day or two for us to look over.

Mr. LUSK. We could summarize them in different ways, taking the various groups of buildings, and that could be included in the record.

The CHAIRMAN. I did not get to see them all, but I only found one apartment house that was in the red in all these figures.

Mr. LUSK. There are 19 of them.

Mr. BRINKMAN. I notice a column headed "Extraordinary expenses." Did you take those out before you compiled your figures?

Mr. LUSK. The refrigeration is not included in the total.

Mr. BRINKMAN. I am talking about "Extraordinary expenses."

Mr. LUSK. That was the explanation of why the rent was increased.

The CHAIRMAN. I think it would be difficult to find any other investment in the District of Columbia that would show up as favorably as that, so far as net returns are concerned.

Senator COPELAND. I agree with you in that statement, Senator Capper, because the number in the red is infinitesimal, and they do run as high as 10 or 11 per cent, which is not bad in these days.

Mr. LUSK. Might I say something about those apartments that run in high percentages?

Senator COPELAND. Yes.

Mr. LUSK. I picked off the first ones that came on two or three sheets, where the income was 8 per cent or more. The vacancies in those buildings total 337 apartments, or 11.7 per cent, while the general vacancies run 17.4 per cent. That shows that those buildings must be giving good value or they would not have that many tenants in them. They have less vacancy than the other buildings.

Mr. BRINKMAN. Was that 2.7 per cent for this year or last year?

Mr. LUSK. This year. Last year would be a little more.

Mr. BRINKMAN. Have you the figures for last year?

Mr. LUSK. That figure would be 2.9 per cent for last year.

Senator COPELAND. Of course it might well be that the vacancies are few in number because the rents are reasonable.

Mr. LUSK. That might be, or the building is very well managed.

Senator COPELAND. I think Senator Capper agrees with me that if the rents were more reasonable there would be fewer vacancies everywhere.

The CHAIRMAN. I have always understood that was one of the fundamentals of the rental business; that is, low rents would tend to bring more occupants and more tenants.

Mr. LUSK. It does to a certain point, but then you get to the point where people can pay no rent. You remember Mr. Ford developed the idea of producing a cheap car. He cut and cut his price around 1926, but he could not sell them because the people did not want that article or could not buy it. He had to produce something else. The cheapness of the car did not make the sale.

The CHAIRMAN. I know out in the farming country when about half the farms are rented, when they get low rents the demand increases immediately and they are rented quickly always after a move of that kind.

Mr. LUSK. But are not the cases different? The man rents the farm to go into business and produce crops and try to make money. The man rents an apartment simply as a place to live. It can produce nothing. He must have to earn something to pay his rent.

Senator COPELAND. I do not see what you mean by your reference to the Ford car. You said the low price was not responsible for its sale. Was it its beauty or outline?

Mr. LUSK. Just the low price would not sell them. Just a low price on apartments would not rent them.

Senator COPELAND. Do you mean to say the low price on the Ford car did not sell the Ford car?

Mr. LUSK. He got to the point where he could not sell them. He sold them, yes, but he had to bring out a new car.

Senator COPELAND. Why are there not more Rolls Royces used than there are Ford cars if the price has nothing to do with it?

Mr. LUSK. The circumstances are different there. There is a point at which you can cut prices, but it does not mean you will have sales.

Senator COPELAND. Yes, I have heard that in relation to diminishing returns, but certainly the low price of the Ford car is what sold it. The low price of the apartment would rent it. I realize there is a limit beyond which landlords can not go, but there is no question in my mind that these apartments or many of them would rent if the price were right.

Have you anything more, Mr. Lusk?

Mr. LUSK. No, sir.

Mr. BRINKMAN. May I ask a few questions?

The CHAIRMAN. Certainly, proceed.

Mr. BRINKMAN. In computing your net income did you use the figure of the actual income of the building so if there were a good many vacancies the income used what was actually taken in? In other words, if the building had been filled up there would have been a larger return?

Mr. LUSK. That is correct.

Mr. BRINKMAN. Did you compute then what the building would have earned if it had been full?

Mr. LUSK. No.

Mr. BRINKMAN. Do you know what they would have earned if they had been full?

Mr. LUSK. That could be easily figured.

Mr. BRINKMAN. You did not figure it?

Mr. LUSK. No.

Mr. BRINKMAN. Why did you not figure it?

Mr. LUSK. Do you want me to do so?

Mr. BRINKMAN. I would very much like to have you figure it.

Mr. LUSK. Do you want me to wait?

Mr. BRINKMAN. How long will it take?

Mr. LUSK. I want to do it accurately. It will probably take 10 minutes. There is no reason why it should not be figured.

Mr. BRINKMAN. Then you have not made the figure in that way.

Mr. LUSK. We are dealing with actualities.

Mr. BRINKMAN. Certainly. You say you did take off the vacant apartments; that is, you did not take into your computation the amount of vacancy?

Mr. LUSK. That is correct.

Mr. BRINKMAN. Do you claim the assessments are fair here or too high on apartment property? You are using that as a basis for your computation?

Mr. LUSK. They represent the value according to the assessor, of what the property is worth. I give no opinion on it at all.

Mr. BRINKMAN. It may be more than the properties are worth?

Mr. LUSK. If it is more than the properties are worth then the assessment should be reduced. It may be.

Mr. BRINKMAN. That is all.

Mr. LUSK. Is there any other question, Senator?

The CHAIRMAN. No, that is all. We are much obliged to you.

Senator COPELAND. I want to hire you when I have some of my troubles I want fixed up. You would make a good witness.

Mr. LUSK. Thank you, sir. I did not know you had any troubles, Senator.

(Witness excused.)

STATEMENT OF RANDALL H. HAGNER

The CHAIRMAN. Mr. Hagner is here and desires to make a statement.

Mr. BRINKMAN. Before we ask any questions of Mr. Hagner, in view of his connection with the real estate board, we ought to discharge the subpoena and have him sign a waiver.

Mr. HAGNER. I am not willing to do that.

Mr. BRINKMAN. If you are not going to do it I do not think we should ask him questions on the matter of the combination.

Mr. HAGNER. I am perfectly willing to answer any question under oath and be responsible under oath for perjery, but when I do not know what I am going to be asked I do not want to sign any waiver. I do not want to be disrespectful to the committee.

Senator COPELAND. We ought not to annoy Mr. Hagner if he has an appointment and if he is going to be out of town over the week end.

Mr. HAGNER. Not over the week end. I informed Senator Capper that I could not be here on Monday. I am perfectly willing to answer any questions, but without consulting my attorney I think it is inadvisable to waive all legal rights when I do not know just what it means.

Mr. BRINKMAN. I believe under these circumstances I do not want to ask Mr. Hagner any questions because I seriously believe that these men who have been connected with the Washington Real Estate Board in an official capacity are subject to prosecution, assuming that the Department of Justice will act.

Mr. HAGNER. May I ask an informal question? Mr. Brinkman says assessments are not high. We have, I think, made two sales comparatively recently that might be considered, one of a property assessed at $186,000 which sold for $125,000. The other was assessed at $163,000 and we sold it for about $132,000. We have to-day any number—I hate to state the number, but in confidence I will show the figures—of apartment properties, business properties, and residences that we can sell for very much less than the assessed value.

The CHAIRMAN. That has been only in the last year?

Mr. HAGNER. No, sir; it goes further back than that. It is getting worse, but it is not a thing of the last month or the last year. It has been coming along for some years. There is no question that taxes are high, and the taxes are one of the angles that cut down the rentals, which has put the property owner to-day in the District of Columbia in the condition in which he finds himself. We have any number of apartment houses in our office on which the owner or the holder of the second trust, if there is one, is not getting one cent of return. It is all being applied to upkeep, interest, and taxes. They would be better off if they did not have them. When it gets into an emergency, if they have any money they add money to help make up the difference due on overdue interest and taxes.

If Mr. Brinkman feels that I should not be here——

Mr. BRINKMAN. That was not my statement. I simply wanted to say that if you desire to make a statement I have not any objection, but I do not think the committee ought to ask any questions.

Mr. HAGNER. I will answer any question anybody asks me.

The CHAIRMAN. If you have a voluntary statement you would like to make, the committee will be glad to have it.

Mr. HAGNER. That is about all I have to say.

Mr. WHITEFORD. May Mr. Hagner make a statement with reference to the statement quoted from him in the record about the "dog eat dog" proposition?

Mr. HAGNER. I would like to correct that. It has been mentioned several times. Mr. Brinkman and I had a little run-in several months ago when he said he would be delighted if I would not furnish the information he wanted. Yesterday there was some mention made of "dog eat dog." I maintain the same condition exists in which I stated there was no "black ring" or something like that.

Mr. BRINKMAN. Before you go on to that, I think the committee ought not to hear any statement on that question at all from you, Mr. Hagner. Let me say to the committee that he may be exempt from prosecution if he goes into that. He is under subpœna.

Mr. HAGNER. Then just eliminate it and keep it out of the record, but it has been mentioned about "dog eat dog." I stated it and I still maintain it. I still maintain that there is no black list ring that prevents tenants from renting apartments. There used to be a courtesy, as there is in all decent business, where a tenant would want to rent an apartment, it might be from Rust or from Hagner & Co. One of our questions we asked a tenant is, "Who have you been renting from?" If he has been renting from Rust, we call up Rust and say "John Smith wants to rent an apartment. Has

he been paying his rent?" "Yes, but he has a lease and wants to move out." Before conditions got as they are now, we would not have rented an apartment under those conditions. In the last two years conditions have been such, vacancies have been so excessive, that if he pays his rent and is not disorderly and not a bootlegger, we do not regard the question of whether he is breaking Rust's lease if we figure he is going to pay his rent—which I think is an unfortunate position for business to get into. Doctors do not do it. Lawyers do not do it. Where one man is violating the decency of ordinary business for his own gain it should not be done, but it has gotten to the point where we have had to break all points of decency provided we figure that the man is not going to be a nuisance and will pay his rent. We take Rust's tenant and let him break Rust's lease if we think he is a good tenant. That is why I say I do not think there is any ring or whatever Mr. Brinkman's word for it is, and I still maintain it is "dog eat dog" as I did when the thing first came up. I would just like to correct that. I thank you.

The CHAIRMAN. That is all, Mr. Hagner.

(Mr. Bowie came forward.)

The CHAIRMAN. Mr. Bowie, do you want to say something?

Mr. BOWIE. I am under subpœna.

Mr. BRINKMAN. I do not think we want to ask Mr. Bowie any questions.

The CHAIRMAN. Who else have you, Mr. Brinkman?

Mr. BOWIE. I would like to make a statement.

The CHAIRMAN. Any voluntary statement you want to make is all right and we will hear you.

Mr. BRINKMAN. The record should show we are discharging our subpœna issued to Mr. Bowie and under which he appeared here, and he is now a voluntary witness. I assume the committee will ask no questions about black listing or combination or anything of that kind.

The CHAIRMAN. We will hear what Mr. Bowie has to say.

STATEMENT OF J. F. M. BOWIE

The CHAIRMAN. You may proceed, Mr. Bowie.

Mr. BOWIE. I might explain to the committee the process of renting to a tenant. When one comes in we get his name and address and the first question we ask him is, who is his present landlord? He gives us that information. We go to the landlord, whether he be a member of the Washington Real Estate Board, a nonmember of the board, or any private owner in the city of Washington. We get that information, and if he is not a desirable tenant, if he is in arrears in his rent, we will not rent to him.

This is not confined, but is an interchange that is broadcast all over the city. We do it just like merchants and other people call us from time to time for information as to the paying ability of tenants we have in our buildings. It is not confined in any sense to the Washington Real Estate Board.

There was a young lady here yesterday, Miss Kelly. She was a tenant in the Keystone and stated, I believe, that she had moved on two or three occasions within that building. She suddenly realized that she could not pay the rent. She came to the Rust Co.

We asked her that first question. We called Saul Co. They told us she had a lease. As a matter of fact she had just made that lease and they had gone to considerable expense fixing up the apartment for her. It just so happens that the Keystone Apartments are owned by Mr. David A. Baear. We represent Mr. David A. Baear and manage two of his apartment houses that he owns. That is one case, Senator, where we declined. I do not say that we would decline in all cases, but certainly we were justified in that one case in declining to rent to that young lady. She finally secured a release from the Saul Co. and came to us, but unfortunately the apartment in that particular building had been rented and we could not accommodate her.

Considerable was said yesterday with respect to landlord and tenant suits and the number was read into the record. I would like to make this observation, that we find it necessary to file quite a number of those suits. Our records show that over 75 per cent of the people that are sued subsequently come up and pay the rent and pay the costs.

The CHAIRMAN. Is not that in the nature of a threat?

Mr. BOWIE. It is an eviction suit.

The CHAIRMAN. The main object is to scare the tenant?

Mr. BOWIE. No, sir; we do not try to scare them. We do not want to scare them. We want to get the rent or the possession of the property, and that we are subject to do, being the agent of the owner of the property.

Mrs. Mattie V. Marsden was here yesterday and she termed the Rust Co. as the second worst in the city. I went back to the office and I could not find any record of Mrs. Marsden having rented from us. I was a bit disturbed about it because I wanted to find out what the situation was. I was disturbed that our records would not show something as important as that. Last night I called Mrs. Marsden, and she was very pleasant and agreeable and good enough to tell me where she rented from us. It happened to be in a building on W Street, NW, between Fourteenth and Fifteenth, and it occurred 20 years ago. We have had a very long-time record with Mrs. Marsden as the second worst landlord.

Senator COPELAND. Perhaps she had time to find out about it.

Mr. BOWIE. She has not dealt with us for 20 years.

Senator COPELAND. As a matter of fact that lady called me up last night and said she was renting under another name at that time.

Mr. BOWIE. Yes. That may have been the reason I could not find it.

Senator COPELAND. She had the name of Pearson previous to that. I made a note of it.

The CHAIRMAN. Yes; she also called me, so the information got around all right. I think we are all pretty well informed about her.

Senator COPELAND. Then I assume your judgment is that she had had long enough to know your methods and to speak as an expert?

Mr. BOWIE. Yes, sir.

There was some comment yesterday with reference to a letter, or rather a suggestion on the part of the Real Estate Board of having our counsel approach two of the justices in the municipal court with reference to the granting of stays of execution.

Senator COPELAND. That was a matter of record in your minutes.

Mr. BOWIE. Yes; that was a matter of record in our minutes that came out yesterday. I would like to give you somewhat of a picture of what the true situation is down there.

When a suit for possession is filed by a broker, the tenant must be in arrears for his rent. Sometimes he may be two or three or four months in arrears. After the filing of the suit it takes approximately 15 days before it will come up for trial. When it comes up for trial, if the tenant appears and states that he has no money with which to pay the rent, the court has been granting or two judges of the court have been granting stays of execution as long as 15 days. Under the law the landlord is entitled to possession of that property immediately when that tenant confesses that he is in arrears for rent and can not pay. The presiding judge of that court has always, and in every case where that situation has arisen, asked the landlord if it was agreeable to him to grant this extension of time and in many cases, and I do not know of any case as a matter of fact where the owner has been asked that he has refused if the request was a reasonable one. It is very much more economical for us to grant a week's stay of execution or even as much as 10 days, perhaps, because it costs us a good deal to dispossess a tenant here in Washington.

We have a good deal to say, of course, about the fixing of rents. The charge that there is an understanding——

Senator COPELAND (interposing). I do not know that I should break in at this point, but I understood the record yesterday to indicate that the real estate board directed its attorney to confer with those judges informally.

Mr. BOWIE. That is true, sir.

Senator COPELAND. You assume that to be a proper act?

Mr. BOWIE. Absolutely.

The CHAIRMAN. Would that be in open court?

Mr. BOWIE. He could do it in open court or in the judge's chambers.

With respect to the fixing of prices, when we sift the whole matter down, gentlemen, in a vast majority of cases it is the man who owns the property who fixes the price to be charged. You have had a lot of us brokers here. We have been charged with perhaps conspiring, fixing these prices ourselves; but in the final analysis it is the owner who fixes the price. We have the greatest trouble and the greatest difficulty, when we realize that a critical situation exists and a reduction is in order, to convince these individual owners of the fact. That has been quite a job for us within the last year.

The CHAIRMAN. To convince them of what?

Mr. BOWIE. To convince them of the need for a reduction.

The CHAIRMAN. Have your efforts been directed along that line to any extent?

Mr. BOWIE. Very much so, sir. We have very few cases where we are clothed with authority to put in effect a reduced schedule of rents. We must secure the owner's approval of that reduction, and we have been very busy at that job within the last year.

Senator COPELAND. Have you been embarrassed by the failure of the owners to accede to your suggestions that the rents be lowered?

Mr. BOWIE. No; we have not been embarrassed, Senator. I have found this to be the case—that owners have to be educated. They have their own ideas about their property. They think it is worth so much. They ask us to handle it for them. We try to do what they ask us to do, to get the price they are asking; but we know that ultimately, if the price is too high, they are going to realize it, because the property will not rent if it is too high.

Senator COPELAND. Then, as a matter of fact, in the case of a great many of these properties where the owners and the real estate men have been accused of holding up rents, it is because of the failure of the owners to make the concessions that the real estate men have recommended?

Mr. BOWIE. Senator, I do not think there is an owner of an apartment house here in Washington who does not want to get all he can in rent. That is a natural, normal feeling on the part of everybody who owns a piece of property, and I do not believe that anybody is exempt from it.

The CHAIRMAN. You have recognized the fact for some time, have you, that the people here who are renting were justified in making a demand for lower rentals?

Mr. BOWIE. Senator, I said last June, at the first meeting I attended here, that this matter was adjusting itself, and that, if let alone, it would adjust itself. I think I am justified now in reiterating that statement, in the light of the reductions that you announced in the press a day or two ago have taken place.

The CHAIRMAN. Undoubtedly reductions have been made, but I do not think there have been anything like the reductions made that the conditions justify or demand. I think you have just gotten pretty well started. I think there ought to be reductions all along the line.

Mr. BOWIE. Senator, they will come about. Last November we had a trifle over a 7 per cent vacancy. When I was here in June it was 15 per cent. To-day it is 17½ per cent. The greater the vacancy, the greater the competition, and the more the rents are going to come down.

The CHAIRMAN. I think if the figures could be obtained it would be found that Washington has a smaller percentage of vacancies than any other city of half a million in the country, from all I can learn.

Mr. BOWIE. Well, sir, I am not prepared to answer that.

Some reference was made by Mr. Brinkman to the Clifton Terrace apartments. I think Senator Copeland will be interested in it, because it is now owned by the New York Life Insurance Co. Mr. Brinkman showed you figures that they were getting a return of something like 13 per cent, based on the figures that I gave him, that had no reference whatsoever to the cost of maintenance and the running of the building. That group of buildings is in Mr. Lusk's report, and it will show that they received a return of exactly 3 per cent upon the assessed value of that property.

The CHAIRMAN. What per cent did they receive on their investment? They recently came into control of it.

Mr. BOWIE. They came into control of it; yes, sir.

The CHAIRMAN. Under the sale price, what was it?

Mr. BOWIE. It was figured on the assessed value price.

Senator COPELAND. Was the sale price less than the assessed-value price?

Mr. BOWIE. I think it was; yes, sir.

The CHAIRMAN. Mr. Hagner has been telling us here about how much of this property was assessed for more than its value.

Mr. BOWIE. I will tell you what we have done since we had this——

Mr. BRINKMAN. For the committee's information, the assessed value of that property is $1,358,000, and the insurance company acquired is for $750,000.

The CHAIRMAN. Almost half.

Mr. BRINKMAN. And I might say, too, that that property was in a very dilapidated, run-down condition, with a great many vacancies.

Mr. BOWIE. I will cover that, Mr. Brinkman, if you will permit me to do so, please.

Mr. BRINKMAN. Pardon me; but they acquired it for about one-half.

Mr. BOWIE. It was acquired by the New York Life Insurance Co. at $750,000. There was a part of that mortgage that was subordinated. It was originally $850,000. The New York Life bought it in, so that there is another $100,000 over and above the $750,000 that is invested in that property.

The CHAIRMAN. Do you not suppose that finally the foreclosure price represented about its actual worth?

Mr. BOWIE. No, sir. I think it is worth the assessment; and incidentally, Senator, I will say to you that after we got this property—it was assessed for one million three hundred and some thousand dollars—we went to the assessor, and he was good enough and they were fair enough to cut approximately $300,000 off the assessment of that property.

Senator COPELAND. So it is now assessed at $1,000,000?

Mr. BOWIE. Something over $1,000,000. Mr. Brinkman just gave you the figures.

That had probably been an illustration of one of the worst-mismanaged properties in Washington. It was run down, in terrible shape, and had been so mismanaged for about 10 years.

The CHAIRMAN. Was that one of the properties manipulated by these high-finance operators?

Mr. BOWIE. It was at one time, Senator; and this is just an illustration of how those things have been sifted down. To-day we are on a solid foundation so far as the mortgages are concerned. This bulding had at one time more than $2,000,000 in incumbrances on it. Of course, they could not support those incumbrances, and one after another they lost control of the buildings. We took the buildings over in this run-down condition. The rents were low. Many of the apartments were vacant—perhaps fifty-odd.

The CHAIRMAN. Have the tenants benefited by this sifting process, this liquidation? Have they benefited in any way by reason of lower rentals?

Mr. BOWIE. I should say in this particular case that they have benefited to the extent of having a very much better place to live in. The apartments have been reconditioned, improvements have been made, and while we carried a vacancy last winter of fifty-odd apartment units there——

The CHAIRMAN. What percentage was that?

Mr. BOWIE. We had 275 units, with fifty-odd vacant.

Senator COPELAND. Did you raise the rents as you made improvements on the building?

Mr. BOWIE. We did not, Senator. As a matter of fact, the record will show that from the 1st of January of this year until the 1st of October we actually reduced them something like $10,000. That was not a general reduction. We reduced them in places.

Senator COPELAND. Were the tenants in there under lease?

Mr. BOWIE. I do not think there was a lease in the whole place.

Senator COPELAND. You know, that is one of my grievances. When you have an apartment house, and advertise reductions, and take in new tenants, it seems to me that those who are there should be benefited by the reductions.

Mr. BOWIE. I think they are generally, Senator.

Senator COPELAND. I think they are in some instances, but I know of others where they are not.

The CHAIRMAN. Especially when it passes into new hands who get the property for about half what it originally cost—one-half of the original base.

Senator COPELAND. Certainly in those instances it ought to be done; but I think it should be done anyway.

The CHAIRMAN. Yes.

Senator COPELAND. In a house where, by reason of economies or a new policy, it has been determined to reduce the rentals, it would seem to me that those who are in the house should have exactly the same benefit; and it was testified here, I think by Mr. Bowie as well as others, that that was the practice. Since then, however, I have discovered that there are landlords who do not do that.

Mr. BOWIE. Senator, I have been looking through the record, trying to find exactly what I did say on the subject; but, whatever I may have said, it referred to a general reduction in all of the apartments in the building. We have made, in many cases, partial reductions. We have made only partial reductions in Clifton Terrace. We had a very ragged scale of rents. Some people were paying more than they should pay. They were out of line; and in the process of adjustment we reduced those prices about $10,000.

Senator COPELAND. If you found, in one of your houses, two identical apartments, one under lease at $100 a month, and the other one where you determined to rent it at $80 or $85, where you established a new schedule, would you give the tenants who were there under lease the same benefit?

Mr. BOWIE. We certainly would, Senator, unless that tenant had had some special consideration in the beginning—if he had been given some rent free, or something of that kind.

Senator COPELAND. You mean the concessions that are made at the beginning?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Is not that a very, very common thing to do?

Mr. BOWIE. Oh, no, sir.

Senator COPELAND. It is in New York.

Mr. BOWIE. It is not here. It is done here at unseasonable times of the year. In other words, if it happens to be in the spring or in the summer, when people are moving out, we have to offer those in-

ducements; but in this Clifton Terrace case I can tell you that we have not given one single month's rent free to anybody. Now, as I told you, that group of buildings had a vacancy of 50-odd units last winter when we took it over; and by improving it, and due to the fact that the Government cut the salaries of the employees, when I last had a report a few days ago we had eight units vacant out of 275 apartments. That is because the people came to cheaper accommodations.

I think that is largely true, gentlemen, all along the line—that if the people will go to the cheaper accommodations they can meet the situations by doing so.

The CHAIRMAN. It is up to the owners to make them cheaper, too, I should think.

Mr. BOWIE. Here is a schedule, Senator, that we have not changed on the whole. We have changed some of them, but we did not have to reduce those to rent them.

Senator COPELAND. Mr. Bowie, I want to go back for a moment to this other matter, because that has been in my mind right along.

Suppose you had an apartment where somebody came along with a view to renting it for a year under a lease. We will assume that it was the 1st of September, or early in September, and the party could not move out of the apartment he then occupied until the 1st of October. Would you consider that that concession of a month's rent, or of those days in September, should be counted as so important that when it came to the question of lowering rentals in that house there should be no reduction made to that tenant?

Mr. BOWIE. Do you mean, should I count the few days or even up to a half-month in September?

Senator COPELAND. Yes; or 25 days of a month.

Mr. BOWIE. Well, I should say that anything over a half-month ought to be taken into consideration.

Senator, this sort of thing frequently happens: Say we were at the 15th of November to-day. The season is beginning. We have a tenant who comes in and demands free rent. He can not move until the 1st of December, because his rent is paid up to that time, but he wants a month's free rent. We give it to him. We actually are holding that apartment for a month and a half, but we do not count that against him.

Senator COPELAND. At the same time, you have rented an apartment, and in all human probability you might not have another chance to rent that apartment for several days or a week. You have made the rental of that apartment. You know that on the 1st of October that apartment is going to be taken by the party. It would seem to me very strange that you should say, in the readjustment, where you are lowering your rents, "Oh, we can not do that because you had 24 days of free use of this apartment."

Mr. BOWIE. I would not say, Senator, that we would give it any consideration unless they had gotten at least a month's rent free that they could really and legitimately use, not overlapping any period.

Senator COPELAND. Then what you are saying now is different from what you said before; is it not?

Mr. BOWIE. No, sir.

Senator COPELAND. Then I did not use the English language in presenting the matter before.

Mr. BOWIE. What time do you refer to, Senator?

Senator COPELAND. I have asked you and I have asked a dozen other agents, when you make reductions in your house to new tenants, whether you give the old tenants exactly the same benefits of reduction.

Mr. BOWIE. Yes.

Senator COPELAND. The answer has been, "Yes."

Mr. BOWIE. Yes, sir; and I still make that answer.

Senator COPELAND. Now you say that the situation is different if there was a concession made; and if they do not have those concessions here I am amazed, because for 25 years to my knowledge that has been the practice in New York. If you rent an apartment in New York, we will say in June, you pay a month's rent, and that pays your rent until the 1st of October.

Mr. BOWIE. Senator, let us take this as an illustration, and it is not infrequently done:

We make a lease with a tenant, and we agree to give him the twelfth month free. If you had a case of that kind, do you think that we should not take it into consideration if we reduce the general schedule in the building?

Senator COPELAND. I do not know anything about that scheme.

Mr. BOWIE. Well, that is something that frequently happens.

Senator COPELAND. But if I moved into your house on the 1st of September, and took a lease for one year from the 1st of October on a yearly basis, at so much a month, I should think I was entitled to any reduction which you might make in the same house in corresponding apartments; and that is what has been testified here was the practice. Now you say that is not the practice.

Mr. BOWIE. Senator, if you did that, and the party moved in the 1st of September, and you gave him September free, and on the 1st of October, for instance, you agreed to reduce your schedule, and you should give that reduction to everybody in the house, you would be discriminating against the rest of your tenants, because the man who went in on the 1st of September had gotten his reduction right at the start.

Senator COPELAND. That was the bonus that you paid to get a tenant. Your prospective tenant is in another house, and for one reason or another the tenant desires to go into your house, and you want a tenant, and you make the concession. It is a perfectly legitimate transaction. I know many instances in New York where, to get a business tenant, they will pay the rent of the other tenant, and give him free rent in the new building while paying the rent of the other one. You know that in a very distinguished instance.

Mr. BOWIE. Yes. Well, Senator, consider the tenant who has been in there all the time, paying rent for a year: This man who has September free is getting a distinct advantage over the tenant who has been in there all along when he gets that reduction.

Senator COPELAND. He might have had that concession himself when he went in five years ago.

Mr. BOWIE. I am afraid, Senator, that the men who answered that question did not anticipate the construction that you have placed upon it.

Senator COPELAND. Well, it is rather discouraging, is it not, Mr. Bowie, that we fail to understand each other, and then when we find that there is a conflict it must be explained away?

You spoke about the difficulties you have with your owners, the landlords. I guess the right way for us to go is to take possession, and say to the owners, "We are going to regulate the rents," and then you will not be embarrassed. The agents then will have all their troubles solved for them.

Mr. BOWIE. No; that will put us to the further trouble, as it did during the Rent Commisison, of meeting them.

Senator COPELAND. You do not want that?

Mr. BOWIE. No, sir.

Senator COPELAND. Then why do you not offer us some plan?

Mr. BOWIE. I offered you a plan last June, Senator, and I think it is borne out by Senator Capper's statement. Nothing has been done, no legislation has been passed, and yet I am told that he states rents have been reduced a million and a half dollars. If it is let alone, Senator, it will solve itself.

Senator COPELAND. And the graveyards will gradually fill up with distressed and dead people. We must face this situation.

Mr. MCKEEVER. Senator, may I ask one question? I should just like to know how much the committee thinks landlords should reduce rents in percentages. I am trying to get at it from the standpoint of a small landlord.

Senator COPELAND. I do not know. I can not answer that; but I should be mighty glad to have the landlords get together and talk the thing over and come and say, "We are going to be generous about this." I will tell you what to do: We had better do it in a formal way, and have a commission, and do it properly.

Mr. MCKEEVER. Do you think a reduction equal to the reduction in the Government clerks' pay would be entirely satisfactory?

Senator COPELAND. I can not answer that. I do not know. Are you willing to make such a reduction?

Mr. MCKEEVER. I will if the building will stand it.

Senator COPELAND. Will the building stand it?

Mr. MCKEEVER. The particular building I have in mind has been running at a loss for the past six months.

Senator COPELAND. Then you could not do it.

Mr. MCKEEVER. We could attempt to do it.

Senator COPELAND. And therefore you do not intend to do anything?

Mr. MCKEEVER. We would attempt to do it, I say.

Mr. BOWIE. We have the situation of 4½ per cent return as an average on all of these buildings. Senator, do you think we in good faith could go to these owners and advise them voluntarily to reduce their rents when they are not getting a fair return?

Senator COPELAND. Are you asking that question in good faith?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Yes, sir; you could. There is not any reason in the world why the landlords, the owners of property in Washington, should not pay the penalty of economic depression just like the rest of us have to do. If they get enough revenue out of their properties to pay the expenses of operation, they are lucky people. That is my judgment. That is what the rest of us are doing. Nobody is making any money now.

Mr. BOWIE. Senator, there are countless holders of real-estate mortgage notes in Washington, mounting up into the millions of dollars, that they have bought from the B. F. Saul Co., the H. L. Rust Co., and others, who are getting their interest in full on the day that it is due. Their principal has not shrunk a bit, and they are going to receive their principal back when it becomes due.

Senator COPELAND. I am delighted that they should do that, and I hope they will; but if in the meantime they are not getting any return on their property, but have reasonable assurance that they are going to get the principal back, they are very fortunate people, and better off than the average man to-day.

Mr. BOWIE. These note holders are getting their interest, Senator, and they are going to get their principal. If we are going to have to reduce these rents further, this is all a wheel within a wheel, Senator. Many of those buildings that Mr. Lusk has accounted to you for have mortgages on them that are held by the life-insurance companies throughout this country. If those revenues are going to be cut, if they are going to be still further reduced, those life-insurance companies are going to have those properties on their hands. If that continues to a very considerable extent you will freeze up your life-insurance companies just like many other things are frozen up throughout the country.

Senator COPELAND. I suppose it is the truth that a great many properties here have been sold at exalted figures, far beyond their intrinsic worth; and no doubt there are securities floating around the country that, when you go back to the sources of capital investment, are worth about half what they are put out for. That may be so; but are we going forever and ever to go on and pay interest on "blue sky" and attempt to extort it from people whose revenues have been largely reduced? Are we going to keep that up indefinitely just because people were foolish enough to buy securities which were half worthless to begin with?

I do not know that that is true of these investments here. I have heard many criticisms of them. I spoke a little while ago about being at the opening of the Mayflower. I think you were there, Mr. Bowie. I remember that somebody in authority told me at the time that the interest alone on the securities outstanding against that property amounted to $5 per day per room.

Mr. BOWIE. There is no question in the world about that, Senator—that a great many of them were overfinanced—but I say now that that is a thing of the past. They have been wiped out; they have been reduced, just as Clifton Terrace was reduced. There was a building on which the first trust was $850,000. It had junior mortgages on it bringing the total up to over $2,000,000. Of course, the building could not support them.

The CHAIRMAN. A great part of that represented "blue sky"; did it not?

Mr. BOWIE. Yes, sir. They may have been sold at 50 per cent discount; but, even so, the building could not carry them.

Senator COPELAND. How many more buildings are there where foreclosure has not yet taken place? How many more buildings are there like that?

Mr. BOWIE. I do not know of any, sir.

Senator COPELAND. I hope there are not any; and when you make reference to the fact that many of these securities are held by life-insurance companies, I should like to say that we have gone very far in the Congress to protect them. I think the chief argument, the argument which prevailed with the Congress in passing the Reconstruction Finance Corporation act, was largely the matter of the life-insurance companies rather than the railroads. I think everybody wanted to preserve them and make sure that they were safe.

Mr. BOWIE. It was mighty important that they be kept in liquid condition.

Senator COPELAND. But we can not wipe out a wrong by doing another one. If our properties here are overcapitalized, if you are attempting to pay interest on an inflated valuation, somebody has to take his medicine.

Mr. BOWIE. That is true. A lot of them have taken it already, Senator. I think this report that we have submitted to you is the most constructive, intelligent analysis that has ever been made of real-esate conditions in this whole city in all of my experience.

Senator COPELAND. I want to commend it in high terms. I think it is a very remarkable report. I was more or less facetious in talking to Mr. Lusk, and yet I meant what I said. I think that is a very remarkable report. Yet, at the same time, that report does not justify, in many instances certainly, the high rents which are charged in this District.

Mr. BOWIE. Four and a half per cent net, Senator?

Senator COPELAND. I know; that is 4.8 per cent average, and yet if you will take them as I have, and I have no doubt you did, I find many, many of them paying 6, 7, 8, 9, 10, and 11 per cent. Now, certainly in these times we are not justified in having a return of any such amount. I think myself that 4.8 per cent is very high. That is a good return.

Mr. BOWIE. Senator, the mortgage holder is getting 6 per cent; and the man who owns the building has certainly gone into a hazardous investment when he buys a piece of real estate.

Senator COPELAND. He did not think so when he bought it.

Mr. BOWIE. He thought he was going to come out better, of course.

Senator COPELAND. He thought he was going to use that and float off a great, big issue of stock, and make 30 or 40 or 50 per cent. He never thought he was going to go into an enterprise where he would get 5 or 6 per cent, and he just has to take his medicine now; that is all.

Mr. BOWIE. Many of them, Senator, a few years back, when apartment houses were being sold very readily, had the mistaken idea that they could buy an apartment house with a small amount of money, and that the revenues from the building would pay for the building; but that was an erroneous impression. That can not be done. It never has been done successfully.

Senator COPELAND. It will not be done again for a long time.

Mr. BOWIE. I could almost say, Senator, I think, that before you could pass a law and put it in operation, if this matter is left alone it will have adjusted itself. We see this increasing vacancy staring us in the face. The vacancy creates competition and that competition brings down the price of its own self. These landlords are not going to stand by and carry a percentage of vacancies that would be ruinous to them when they can sit down and figure up that they are going to lose their property if they do not get more revenue.

The CHAIRMAN. We are about at the close of the year 1932, and are just starting on a new year. What do you think this committee could safely expect would be done in the year 1933 in the way of further reductions in rents?

Mr. BOWIE. Well, Senator, I think you might easily expect the ratio of reduction to continue as large as it has been since you started these hearings. I think I can safely say that.

Seantor COPELAND. Senator, while you were out of the room a gentleman over here, back of you, a landlord (Mr. McKeever), wanted to know how much we thought the rents should be reduced. I told him I did not think we were prepared to say.

Mr. MCKEEVER. I should like to enlarge on that a little and say that it does seem to me that if rents were reduced—you are talking largely for the benefit of the Government employees—if rents were reduced in proportion to the reduction of the Government employees' salaries, you would have accomplished your purpose. Is that true or is it not?

The CHAIRMAN. The reduction of Government employees' salaries is about 8⅓ per cent—pretty close to 10 per cent.

Mr. MCKEEVER. Say 10 per cent.

The CHAIRMAN. But I do not think there has been a reduction of rents made even to that extent so far.

Senator COPELAND. You see, the trouble is, as I see it, that there have been very marked reductions in the high-priced apartments. Do you believe, Mr. Lusk, that there is a 10 per cent reduction in $50 and $60 apartments?

Mr. LUSK. I could not answer that, because our figures are not segregated. I can do this: By Monday morning I can give you an analysis of about 2,000.

Senator COPELAND. Do you think so, Mr. Bowie?

Mr. BOWIE. I can say positively, Senator, that the reductions in the more expensive and in the larger apartments have been far greater than in the smaller ones.

Senator COPELAND. Yes; that is my opinion.

Mr. BOWIE. That, I think, Mr. Lusk explained in his survey.

Senator COPELAND. But the question is, Have you had that 10 per cent reduction?

Mr. MCKEEVER. I should like to answer that.

Senator COPELAND. Certainly.

Mr. MCKEEVER. The particular small building to which I have reference has only 12 apartments in it. They rent from $57.50 to $62.50. We decided to make a 5 per cent reduction, because it was running at a loss. We offered all of the tenants, every tenant in the building, whether they had leases or not, that 5 per cent reduction

provided they would take a lease for one additional year. Some of them took it, and some did not. Now, what I am trying to get at is, if an additional 5 per cent were given to all those tenants voluntarily, would that, in the committee's mind, be a satisfactory reduction?

Senator COPELAND. I am inclined to think that you are a little too good for this earth. I think you will have angelic qualities. [Laughter.]

Mr. MCKEEVER. I have not done it yet. [Laughter.] I am trying to find out if you want it done.

Senator COPELAND. I think you are on the right track. That is my judgment.

Mr. BRINKMAN. Senator Copeland, I have here the reductions made in the apartments controlled by the H. L. Rust Co., if you want me to read them into the record—the percentage of reductions.

Senator COPELAND. Is that a little unfair to our witness?

Mr. BRINKMAN. I do not think so. They are his own figures. I meant, not the percentages, but the amount of the reductions.

Mr. BOWIE. I have no objection to it, Senator, if he will do it after I have finished. I have just one more statement I want to make.

Senator COPELAND. All right.

Mr. BOWIE. We have heard a great deal of criticism of the board, Senator—charges made against the board. I have been a member of the board for a great many years, and for the last few years have been very closely identified with the work. The Washington Real Estate Board exists as much to serve the public of Washington as it does to serve its own members. It is the first place to which many people go who are familiar with Washington, and those who are not familiar with Washington, for advice and guidance in real estate matters. We have countless inquiries every day for information. They go there because they know they can get reliable information at the board.

We have a very strict code of ethics that we require our members to live up to. It happened to be my duty to preside over a trial upon charges brought against a member of the board involving a certain real estate transaction. After hearing the testimony it was apparent, right at the outset, that legally this man had absolutely no claim against the broker as a result of that transaction, but there were other matters. He could not have collected in any court in this jurisdiction. In that particular case the Washington Real Estate Board said to its member, "You assume that obligation and pay it, or you will no longer remain in the Washington Real Estate Board"; and Mr. Brinkman can find the record of that hearing right in the minute book that he has.

Senator COPELAND. Just a minute, Mr. Bowie. What objection have you to a rent commission?

Mr. BOWIE. The objection, Senator, that we had when it was saddled upon us before. We have any amount of data to compile, attorneys to employ, expenses that we are put to to defend ourselves when there is complaint made, and I do not know of anything that is a greater incentive to anybody to complain if they think they can get a reduction in something they are paying for.

Senator COPELAND. You had dealings with the commission, did you? Were you in the business at the time the commission was in existence?

Mr. BOWIE. Yes, sir. I had many dealings with them.

Senator COPELAND. How did it work out in practice? Was there a material reduction in the rents paid by tenants?

Mr. BOWIE. I do not know what the actual figures will show, but my guess would be that they increased as many as they decreased, because we had been saddled with legislation right from the very outset, and we were not allowed to raise any rents. It would be my opinion and my judgment that that is how it worked out.

I think if you had a rent commission to-day, Senator, with the showing that we have made here, you could not reduce those rents. The courts would require that the landlords be given a fair return. The courts said, in the old days of rent legislation, that we were entitled to 6 per cent after paying all of our expenses and charging off a reasonable amount of depreciation. There were a number of cases that were reviewed by the courts here, the Court of Appeals. You might make some adjustments, I should say, if you had a rent commission, in these buildings. They would take something away from those that were paying too much, and they would give it to those who are paying too little. It would result, in my opinion, in an increase in the rents that the people are actually paying, if we had a commission.

Senator COPELAND. Those would be the rents of persons able to pay more, in all probability. It would be the higher priced apartments?

Mr. BOWIE. No, sir. The higher priced apartments to-day are showing the smallest return.

Senator COPELAND. Under a commission they would be entitled to a larger return.

Mr. BOWIE. We could not get it, Senator.

Senator COPELAND. The traffic would not bear it, you mean?

Mr. BOWIE. No, sir.

Senator COPELAND. You have, then, very serious objection to the resurrection of the rent commission?

Mr. BOWIE. I can not see, Senator, how it would do any good to anybody.

Senator COPELAND. Then, instead of having it, you would rather reduce the rents?

Mr. BOWIE. No, sir; I can not say that, because if we had the commission, as I stated before, the courts would say to the commission that they had to give us 6 per cent. Now, we can not get 6 per cent without a commission, so why a commission? It would seem to be needless expense in setting up useless machinery.

The CHAIRMAN. Mr. Bowie, I was here, a member of this committee, when we threshed out that whole question, and finally passed the rent commission act. I was very much interested in it, and followed it closely. There was even more ground, more reason for action then, than there is now, though I think there is still basis for this complaint that the committee gets from all sides about

rents even as they are to-day, though you have made some reductions.

But there is no question in my mind but that that was wise legislation, helpful legislation. There was basis for the widespread complaint that existed at that time; and the commission itself not only brought about reductions, but it had the effect of bringing about general reductions that I do not believe ever would have been made otherwise. We were on a war-time basis then, and they were trying to hold up rents. No one seemed to be disposed to make any cuts, and something had to be done. This Congress never would have passed that legislation if there had not been every reason to act in a rather drastic way. I believe it was good legislation.

Mr. BOWIE. Senator, I think, if you will recall, this was the situation at that time:

Immediately upon the outbreak of the war, when we had the great influx of people in Washington, all of the housing facilities were grabbed up. That gave the landlords an opportunity to increase their rents. Almost immediately Congress passed the Saulsbury resolution, which permitted a landlord to increase his rent in each case only 10 per cent. I do not remember how long that law was in effect, but I think the commission was created more upon the suggestion of the owners whose expenses had gone away up, and who were limited to just a 10 per cent increase in their rentals. So the commission was established, and I think remained in force until 1924 or 1925.

The CHAIRMAN. Certainly the real-estate interests and the rental agents were not asking for it at that time. The demand came almost entirely from the citizens of the District of Columbia, who were paying what they thought were exorbitant rents.

Mr. BOWIE. Senator, I do not recall whether the Saulsbury resolution had any limitations or not; but immediately upon the enactment of that resolution the landlords were locked so far as making any increases was concerned.

Senator COPELAND. I suppose the Saulsbury resolution was really an invitation to the landlords to increase the rentals 10 per cent, was it not?

Mr. BOWIE. It limited them to an increase of 10 per cent. Everybody conceded that we should have some increase. The price of fuel and everything went up.

The CHAIRMAN. Everything was going up at that time.

Mr. BOWIE. And they granted us 10 per cent.

The CHAIRMAN. Ten per cent was a reasonable increase.

Mr. RUSH. And there was a very heavy shortage here.

Mr. BOWIE. That law was passed and was sustained by the courts, due to an emergency. It was due to a shortage. Senator, to-day we have just the reverse situation.

Senator COPELAND. That is, you have the reverse situation so far as space is concerned, but you have an inability on the part of the people now to rent the space that is available. It is this expensive space that is available, is it not?

Mr. BOWIE. No, sir. There is some inexpensive space available. Senator, but my experience has been that the people do not want it. It is not good enough for them.

Senator COPELAND. Let me ask this gentleman over here (Mr. McKeever) a question. Is your building full?

Mr. MCKEEVER. No; it was, but when I reduced the rents I got four vacancies, and now I still have three. [Laughter.]

Senator COPELAND. Then if you should reduces another 5 per cent the building would be empty? [Laughter.]

Mr. MCKEEVER. I might get six vacancies.

Senator COPELAND. Have you any practical suggestion to us beyond disbanding the committee, Mr. Bowie?

Mr. BOWIE. No, Senator. I think I have tried to cover the field, and I do not want to make any repetition. My honest feeling about it is that if the matter is left alone it will adjust itself. If you put us under a commission, you will have to raise rents.

Senator COPELAND. Do you think the appointment of this committee had anything to do with the reduction of the rents?

Mr. BOWIE. I think it had this effect: It made the tenants bolder and more demanding.

Senator COPELAND. Then it did result in the reduction?

Mr. BOWIE. In that respect, yes; but I do not say that it had any effect at all upon making landlords reduce their rents.

Senator COPELAND. They are above the possibility of being affected by this committee?

Mr. BOWIE. No, sir. You can bring them in here just as I am here.

Senator COPELAND. You have made it quite clear to me that we have the wrong people here. We ought to have the landlords, the owners, here.

Mr. BOWIE. The owners could not give you the information that we have given you, Senator. They could not do it to save their lives. Here [referring to tables] is real information. The owners could not give you that. You would have to take each individual case and put it together. Here is a report of over 200 buildings.

Senator COPELAND. Is it fair for me to ask you if you have in mind now further reductions in your properties?

Mr. BOWIE. As I stated at the very first hearing, Senator, as vacancies increase and become alarming the price goes down. In the final analysis it results in just exactly what Mr. Hagner has said. It is "dog eat dog." They are not going to carry those vacancies if it is going to result in the loss of the building, if by reducing the rents they can fill up the building. When one man reduces, the others follow. It all comes along in the same line.

Senator COPELAND. Then if we could have all the tenants in this town join the "hunger march," and go away for a few days, rents would come down; would they not?

Mr. BOWIE. Senator, they are coming down. They have come down since the 1st of October. Many reductions have been made since that time, and they are going to continue, sir.

Senator COPELAND. That is encouraging.

Mr. WHITEFORD. Mr. Jacobs is here from the Saul Co. about that letter that was spoken of this morning.

Mr. BRINKMAN. The clerk is here, the employee who signed the letter.

The CHAIRMAN. All right; I think we had better call him.

TESTIMONY OF GEORGE SCHULTZ

(The witness was duly sworn by Senator Copeland.)

Mr. BRINKMAN. What is your name?

Mr. SCHULTZ. George Schultz.

Mr. BRINKMAN. Where do you live?

Mr. SCHULTZ. 2701 Connecticut Avenue.

Senator COPELAND. This witness is under oath, Mr. Brinkman.

Mr. BRINKMAN. Yes.

The CHAIRMAN. How long have you been with the B. F. Saul Co.?

Mr. SCHULTZ. Since June 13, 1929, I think. I think it was June 13.

Mr. BRINKMAN. How long have you been writing and signing letters for the Saul Co.?

Mr. SCHULTZ. It just depends upon what—I was in the loan department when I first came there, and then I went to the rent department.

Mr. BRINKMAN. What is your position in the rent department?

Mr. SCHULTZ. I wait on the counter, the business counter there, and see the clients are waited on when they come in; also check references.

Mr. BRINKMAN. And write letters?

Mr. SCHULTZ. Write them in connection with checking them.

Mr. BRINKMAN. You say you check references. What do you mean by that?

Mr. SCHULTZ. When a tenant comes in, some member of the rent department—maybe myself, maybe some other clerk—will take the information, their name and present address, whom they are renting from, how long they have been there. If they have been at that address less than a year it is likely that we will get their former address; also, where they are employed, the apartment they want to leave a deposit on, the amount of the deposit, the amount of rent, when they are going to begin their rent.

Mr. BRINKMAN. I hand you a letter on the letterhead of the B. F. Saul Co., which has already been put in the record, dated June 28, 1932, bearing the signature "George Schultz, Rent Department." Is that your signature, and did you write or did you dictate that letter?

Mr. SCHULTZ. I did.

Mr. BRINKMAN. And that is you signature?

Mr. SCHULTZ. It is.

Mr. BRINKMAN. The letter is addressed to Kenneth Ardinger, 1020 Monroe Street NW., Washington, D. C. You state in this letter:

"As your present agents, Thomas J. Fisher Co., are members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them.

Who told you to write that letter?

Mr. SCHULTZ. No one told me to write that letter.

Mr. BRINKMAN. You just wrote it because it was the policy of the office?

Mr. SCHULTZ. Not necessarily because it was the policy of the office. I wrote the gentleman a letter. I think if you will read the first paragraph——

Mr. BRINKMAN (reading):

Upon receipt of this communication we would thank you to kindly call to see the writer in connection with a deposit which you recently left on 105, 829 Quincy Street, NW.

Mr. SCHULTZ. I wanted the gentleman—in other words, I looked into his references, found out that he did have a lease, and wrote to him and asked him to come and see us about that.

Mr. BRINKMAN. All right. Why did you write him that? Did any one tell you to write him?

Mr. SCHULTZ. No; but that was because the reference would not be approved until some arrangement would be made.

Senator COPELAND. That was the practice; was it?

Mr. SCHULTZ. If the references were not satisfactory we would talk to the tenant and try to straighten it out with him.

Mr. BRINKMAN. Why was this reference unsatisfactory? What reference was unsatisfactory?

Mr. SCHULTZ. Any reference.

Mr. BRINKMAN. I mean, in this case what reference was unsatisfactory?

Mr. SCHULTZ. The fact that he had a lease with some one was unsatisfactory.

Mr. BRINKMAN. Then it was the policy, if he had a lease with someone else, not to accept him as a tenant unless he got a release?

Mr. SCHULTZ. No. If it was a party that recognized our leases, we would, as a courtesy, recognize theirs.

Mr. BRINKMAN. I see; and the Fisher company were recognizing your leases?

Mr. SCHULTZ. To the best of my knowledge, the Fisher company does recognize our leases.

Mr. BRINKMAN. And who were those parties that were recognizing them—members of the real estate board?

Mr. SCHULTZ. Members of the board and other agents.

Mr. BRINKMAN. You say here, because they "are members of the Washington Real Estate Board, it will be impossible." What do you mean by that?

Mr. SCHULTZ. I meant the ones that do recognize us. It is true that "of the Washington Real Estate Board" is not the best terminology to use. It would have been better to substitute and say, "the ones that do recognize ours."

Mr. BRINKMAN. Do all the members of the real estate board recognize your leases? Are they supposed to?

Mr. SCHULTZ. Not supposed to. As a matter of courtesy, I believe they do. Other agents also recognize them.

Mr. BRINKMAN. Why did you put in that phrase—

As members of the Washington Real Estate Board, it will be impossible for us to rent to you until you secure a release from them.

Mr. SCHULTZ. I told you it is true that that is not the best thing to put in. It would have been better to put in——

Mr. BRINKMAN. Is not that true?

Mr. SCHULTZ. It is in there; yes, sir.

Mr. BRINKMAN. And it was true when you wrote it, was it not?

Mr. SCHULTZ. What was your previous question?

Mr. BRINKMAN. You put that in because they were members of the Washington Real Estate Board and there was an agreement that you would not take tenants away from them without a release?

Mr. SCHULTZ. It happened that the Thomas J. Fisher Co. are members of the Washington Real Estate Board.

Mr. BRINKMAN. Did you have instructions from any one to recognize leases of members of the Washington Real Estate Board?

Mr. SCHULTZ. No, sir.

Mr. BRINKMAN. Well, then, why did you put it in the letter?

Mr. SCHULTZ. I told you it happened the Fisher company are members of the board. If it had been another firm which was not a member of the board, and they recognized our leases, I would have also told the gentleman the same thing.

Mr. BRINKMAN. After you wrote this letter, did it go over any one else's desk?

Mr. SCHULTZ. No, sir. I believe I folded the letter myself without giving it back to the young lady.

Mr. BRINKMAN. Do you remember that very distinctly?

Mr. SCHULTZ. If it has "I. C." on there I can tell you that I did, behind my initials.

Mr. BRINKMAN. "I. C." what?

Mr. SCHULTZ. The stenographer's initials. When she writes them, she never folds them herself. I always fold them.

Mr. BRINKMAN. This letter has "I. C." on it. What is the significance of that "I. C."?

Mr. SCHULTZ. Just the stenographer that wrote the letter.

Mr. BRINKMAN. You are not the head of the rent department; are you?

Mr. SCHULTZ. No. sir—Mr. Humphrey.

Mr. BRINKMAN. Did this letter go over his desk?

Mr. SCHULTZ. No, sir; it does not.

Mr. BRINKMAN. You sent it out yourself?

Mr. SCHULTZ. I did.

Mr. BRINKMAN. Why did you put in any reference to the Washington Real Estate Board?

Mr. SCHULTZ. The Fisher company just happened to be a member of the board. If it had been a company that does not——

Mr. BRINKMAN. I understand that they are a member of the board, but why refer to it in this letter?

Mr. SCHULTZ. I merely put it in for no specific reason whatsoever.

Mr. BRINKMAN. You just wanted to make the letter longer, or something like that?

Mr. SCHULTZ. No; not necessarily.

Mr. BRINKMAN. Why did you put in that fact, that they were members of the real estate board?

Mr. SCHULTZ. There was no reason why I should have put it in, no reason why I should leave it out, in this particular case.

Mr. BRINKMAN. Have you talked with Mr. Jacobs about this matter?

Mr. SCHULTZ. I have talked to Mr. Jacobs.

Mr. BRINKMAN. About this letter, since then?

Mr. SCHULTZ. About that letter?

Mr. BRINKMAN. Yes. You talked with him last night, did you not, about it?

Mr. SCHULTZ. I have seen a carbon copy of the letter; yes.

Mr. BRINKMAN. And talked with Mr. Jacobs about it?

Mr. SCHULTZ. Yes; I have talked to him.

Mr. BRINKMAN. What position does Mr. Jacobs occupy? Is he the active head of the company?

Mr. SCHULTZ. Executive vice president of the company.

Mr. BRINKMAN. And he is the top man in the company?

Mr. SCHULTZ. I would not want to say that. That is something that I could not tell you.

Mr. BRINKMAN. Who in the office is higher in the company than Mr. Jacobs?

Mr. SCHULTZ. Mr. John Saul is president.

Mr. BRINKMAN. Is he active in the management of the company?

Mr. SCHULTZ. That is something I really do not know a thing about.

Mr. BRINKMAN. Is he in the office most of the time?

Mr. SCHULTZ. He is in the office practically every day.

Mr. BRINKMAN. Have you talked with anybody else about this letter?

Mr. SCHULTZ. About that letter?

Mr. BRINKMAN. Yes, sir.

Mr. SCHULTZ. I talked to Mr. Jacobs and Mr. Frank Bell.

Mr. BRINKMAN. What position did Mr. Frank Bell occupy?

Mr. SCHULTZ. One of the vice presidents of the company.

Mr. BRINKMAN. What did they say to you about this letter? What did Mr. Bell say to you about this letter?

Mr. SCHULTZ. He asked me if I did write the letter.

Mr. BRINKMAN. What else did he ask you?

Mr. SCHULTZ. He asked me the conditions surrounding the case. I told him the conditions surrounding the case as they are in the letter.

Senator COPELAND. Did you write other letters like this, using similar language?

Mr. SCHULTZ. I do not recall writing any other letter similar to that; no, sir.

Mr. BRINKMAN. Will you swear that you never wrote another letter mentioning the fact that another firm was a member of the real estate board, and that you could not lease on that account until there was a release? Will you swear that you never wrote another such letter?

Mr. SCHULTZ. No, sir; because I am depending on my memory. There is no way——

Mr. BRINKMAN. And you do not know?

Mr. SCHULTZ. There is no way humanly possible that I know of that will verify that.

Mr. BRINKMAN. You think you might have written other such letters?

Mr. SCHULTZ. I do not recall writing any other letters.

The CHAIRMAN. Do you have many cases of this kind to give attention to—cases like this, where there is a violation of a lease?

Mr. SCHULTZ. We do not have so terribly many; no, sir.

The CHAIRMAN. I meant, you yourself. Was it brought to your attention?

Mr. SCHULTZ. Usually they would be brought to my attention, because, as I said, I do check the references, except when some one else is on their vacation, and I am away for some reason; I am out of the office. Primarily, I do the checking.

The CHAIRMAN. Did you make a different reply to this one than you did to the general run of complaints of that nature?

Mr. BRINKMAN. Where there were leases?

Mr. SCHULTZ. It is not really a complaint. The majority of times, if I can, I usually try to settle them all over the telephone, merely as a time-saver. In other words, I do not have any stenographer, and I try to get in touch with the party.

The CHAIRMAN. But you have dictated a good many letters similar in character to this letter?

Mr. SCHULTZ. I have written letters asking people to come in and see us about various things.

The CHAIRMAN. I mean, where there was a controversy somewhat along the lines of this, where they had gotten into trouble with some other rental agent.

Mr. SCHULTZ. I would not say they had gotten in trouble, Senator.

Mr. BRINKMAN. Where they did not have a release, you have written other letters telling them that you could not——

Mr. SCHULTZ. That is the answer to your question. I told you I can not remember whether I have. I do not recall.

Mr. BRINKMAN. You usually called them up over the phone where that condition existed?

Mr. SCHULTZ. Either that, or write the party, wherever there is any discrepancy in any reference, because of their employment, because they owe——

Mr. BRINKMAN. We are not asking about that. We are asking about where there was another lease with another firm.

Mr. SCHULTZ. In the majority of the cases I would talk to the party.

Mr. BRINKMAN. On the phone?

Mr. SCHULTZ. Either on the phone or in person.

Senator COPELAND. Do you decline to rent a property to one who has a lease with another firm?

Mr. SCHULTZ. Depending on the condition there.

Senator COPELAND. That is, if he is a member of the real estate board, you do not take him?

Mr. SCHULTZ. No, sir; I would not say that, because there are agents and are owners outside the Washington Real Estate Board which we do recognize their leases.

Senator COPELAND. Are there any members of the real estate board where it makes no difference to you whether there is a lease or not?

Mr. SCHULTZ. Where a member would take one of our tenants; yes.

Senator COPELAND. Are there any such members of the real estate board?

Mr. SCHULTZ. I have not come in contact with any myself, but I understand that there are.

Senator COPELAND. You understand that there are such members?

Mr. SCHULTZ. Not at the present time. I do not know of any, because, as I say, in the approximately year and a half that I have been checking them I have not run across one.

Senator COPELAND. Then if the other party is a member of the real estate board, it goes without saying he can not have a lease with you?

Mr. SCHULTZ. No; that is not the case, because we have rented apartments to people who had leases with a real estate board member.

Senator COPELAND. You have, lately?

Mr. SCHULTZ. Yes.

Mr. BRINKMAN. Without requiring a release?

Mr. SCHULTZ. Where we have rented to them, or where other people have?

Mr. BRINKMAN. Where you have rented to them.

Mr. SCHULTZ. In this particular case we did rent to this man, but outside of that I do not recall.

Mr. BRINKMAN. That was not the general practice? You do not remember any other?

Mr. SCHULTZ. Not that I have rented to; no.

Senator COPELAND. Can you remember any instance where you rented to a party having a lease with a member of the real estate board?

Mr. SCHULTZ. This particular case right here.

Senator COPELAND. Any other?

Mr. SCHULTZ. I do not recall any.

Mr. BRINKMAN. Who told you that you should not rent to people who did not have a release from members of the real estate board?

Mr. SCHULTZ. No one told me that.

Mr. BRINKMAN. You just got it out of thin air?—or how did you happen to know that? It just sprang into your own mind, or how did you happen to know it?

Mr. SCHULTZ. That is not the case. Where one recognizes our lease, we recognize theirs.

Mr. BRINKMAN. I know; but how did you know that that was the policy of the Saul company? Who told you that that was the policy of the Saul company?

Mr. SCHULTZ. No one told me it was the policy of the Saul company.

Mr. BRINKMAN. You made that policy yourself?

Mr. SCHULTZ. No; I would not say that.

Mr. BRINKMAN. Who made that policy, then?

Mr. SCHULTZ. That is something I could not answer. The young man who did the same work before I did, did exactly the same thing that I did.

Senator COPELAND. How many members of the real estate board are there?

Mr. SCHULTZ. How many now? That is something that I could not say directly.

Senator COPELAND. Do you have in your office a list of the members?

Mr. SCHULTZ. We have a list in the office of the members. I do not know.

Senator COPELAND. And then, when somebody comes in, you ascertain whether that party has a lease from some member on that list?

Mr. SCHULTZ. No, sir; we do not ask them, at the time they leave a deposit, whether they have a lease or not.

Senator COPELAND. How did you find out that this party had a lease?

Mr. SCHULTZ. By calling the Thomas J. Fisher Co.

Mr. BRINKMAN. You ask them for the name of the person from whom they are renting at that time?

Mr. SCHULTZ. Yes.

Mr. BRINKMAN. And they give the name of their present landlord?

Mr. SCHULTZ. That is right.

Mr. BRINKMAN. When did you first begin telling people that they could not lease unless they got a release? How long had you been in the Saul organization before you reached that point?

Mr. SCHULTZ. To the best of my knowledge—I am guessing at this—it is about 15 months that I have been checking (maybe not that long) references.

Mr. BRINKMAN. When you began checking references, who told you how to check them and what to do?

Mr. SCHULTZ. The gentleman that had the position before I did.

Mr. BRINKMAN. And who was that gentleman?

Mr. SCHULTZ. Mr. Newton.

Mr. BRINKMAN. What is his first name?

Mr. SCHULTZ. Louis R.

Mr. BRINKMAN. Do you know where he works now?

Mr. SCHULTZ. B. F. Saul Co.

Mr. BRINKMAN. In what department?

Mr. SCHULTZ. The rent department.

Mr. BRINKMAN. What position does he have?

Mr. SCHULTZ. He is a clerk in the rent department and has to wait on the counter the same as I do.

Mr. BRINKMAN. Was he the only one that ever instructed you in your duties?

Mr. SCHULTZ. I would not say that, because, if a question came up that I did not know, I would ask some one that had been in the department longer than I had.

Mr. BRINKMAN. Did Mr. Bell ever instruct you in your duties?

Mr. SCHULTZ. No; he has not. He has given me general instructions.

Senator COPELAND. If I went into your office and wanted to rent an apartment from you, you would ask me where I was now located; would you?

Mr. SCHULTZ. Yes, sir.

Senator COPELAND. And would you invariably write to my landlord to see what sort of tenant I have been?

Mr. SCHULTZ. I think you have the wrong impression there. I very seldom write. I usually call them on the telephone.

Senator COPELAND. Would you communicate with the other landlord?

Mr. SCHULTZ. Yes; I would.

Senator COPELAND. Suppose I said I was in the apartment of this gentleman over here [Mr. McKeever]?

Mr. SCHULTZ. I would ask you the gentleman's name, and if I did not know where his office was, I would ask you where he lived. In other words, it might be that there was a private owner, and it would be rather hard to locate him, and I would ask you where I could get in touch with him.

Senator COPELAND. Are you quite confident that in every instance you would communicate with the landlord?

Mr. SCHULTZ. There are exceptions there.

Senator COPELAND. What are they?

Mr. SCHULTZ. If the owner should call us and tell us that he wanted a certain party put in his apartment, we would put him in, irrespective of references, if the owner of the building desired it.

Senator COPELAND. Does that happen often?

Mr. SCHULTZ. It does not happen often; no. Those cases are rare.

Senator COPELAND. Did it happen in this case?

Mr. SCHULTZ. After we returned the gentleman's deposit to him the owner of the building did come in and ask us to rent to him. He did not ask us; he told us to.

Senator COPELAND. Does it not seem very unusual to you, or rather remarkable, that you should put in a letter that because of your relationship to a fellow member of the real estate board some attention would have to be given to it?

Mr. SCHULTZ. If he had a lease with a gentleman that recognized our leases, the same attention would have to be given.

Mr. BRINKMAN. And that applied to all members of the Washington Real Estate Board?

Mr. SCHULTZ. Members and other agents of owners who recognized our leases.

Mr. BRINKMAN. And it did apply to all members of the Washington Real Estate Board?

Mr. SCHULTZ. If they recognized our lease, we recognize theirs; yes.

Mr. BRINKMAN. Do they recognize your lease?

Mr. SCHULTZ. As I stated before, to the best of my knowledge all of them do, and other agents, too.

The CHAIRMAN. How would it be helpful to Mr. Ardinger, to whom you addressed this letter, for him to know that the Thomas J. Fisher Co. was a member of the Washington Real Estate Board, and therefore you could not make a deal with Mr. Ardinger?

Mr. SCHULTZ. That would not in itself be helpful to him. The thing is——

The CHAIRMAN. Then why give him the information? Why should you volunteer that information to Mr. Ardinger?

Mr. SCHULTZ. The second paragraph gives him an idea of what we wanted to see him about when he comes down, asking him to get in touch with his present agent before he came with us. In other words, it would save him a trip.

Senator COPELAND. Mr. Chairman, I hope this nice young man does not lose his job with his boss because of what he has done to-day. He has been a very good witness for them.

Mr. BRINKMAN. Have you talked with the lawyer of the Saul Co.?

Mr. SCHULTZ. I have not.

Mr. BRINKMAN. Do you know who the lawyer is?

Mr. SCHULTZ. G. Percy McGlue is the attorney for the company.

Mr BRINKMAN. Was Mr. Newton the only one who ever told you to write letters of this kind or telephone in that way?

Mr. SCHULTZ. No; I would not say that. I answered that before, because if a question came up and I did not know just what to do with it, as any one taking hold of any new work, you would ask some one who had formerly done it.

Senator COPELAND. You will not put that in, probably, after this? Have you been given orders not to put that language in your letters?

Mr. SCHULTZ. No, sir; I have not been given those orders.

Senator COPELAND. Are you going to use that language in the future? (A pause.) Well, I will withdraw that. Let him go, Mr. Brinkman. He is a nice chap.

The CHAIRMAN. All right; we are much obliged to you.

Mr. SCHULTZ. Thank you.

The CHAIRMAN. Is there any one else?

Mr. BRINKMAN. I do not want to examine anybody else on this matter. I think the committee pretty well has in mind what is the real situation.

The CHAIRMAN. Have you any other witnesses at all?

Mr. J. W. JACOBS. I should be glad to give the committee any information I have on the subject, if they would like to have it.

Senator COPELAND. Who is this?

Mr. BRINKMAN. That is Mr. Jacobs. He told us yesterday that he knew nothing about it.

Senator COPELAND. Who is Mr. Jacobs?

Mr. BRINKMAN. He is a vice president, and head of the company.

Senator COPELAND. I suppose this young man violated all the rules of the office by writing that letter?

Mr. JACOBS. I think he was indiscreet in writing the letter, because he had no instructions to.

Senator COPELAND. Well, he is a nice boy. Do not discharge him.

Mr. JACOBS. We are not going to discharge him.

Senator COPELAND. All right. I hope he heard that.

Mr. BRINKMAN. We have considerable testimony of our own to put in, Senator.

The CHAIRMAN. Is anybody ready to put it in?

Mr. BRINKMAN. We can go ahead now and take quite a long time.

The CHAIRMAN. When do you want to meet again?

Senator COPELAND. Is it matter that we would have to talk to you about and argue over?

Mr. BRINKMAN. No; it is just information that I have gathered.

Senator COPELAND. Could you not include that for the record, and have the record printed so that we can refer to it? Then, the first of the week, the other members will be here, and everybody will have it. Then we could have a meeting and ask these questions.

What do you think about that, Mr. Brinkman?

Mr. BRINKMAN. I could submit a written report, but I think it would be beyond the first of the week when I would have this matter in shape.

Senator COPELAND. What do you think about the general plan?

Mr. BRINKMAN. I think it would save the committee a considerable amount of time if I did submit a written report. The committee could go over it, and if any one wanted to offer any opposition to that written report, or question any statement made in it, that could be done. I should like the permission of the committee, however, to insert in the record certain minutes of the Washington Real Estate Board, showing, in my opinion, a combination in violation of the Sherman Antitrust Act.

Senator COPELAND. Do you mean excerpts?

Mr. BRINKMAN. Excerpts from the minutes of the Washington Real Estate Board.

Senator COPELAND. I move, Mr. Chairman, that Mr. Brinkman present for the record such material as he thinks is pertinent to our inquiry, and then that we adjourn subject to the call of the chairman for further hearings.

Mr. RUSH. Senator, if you will pardon me, I require the records in the conduct of my office. For the past three days we have entirely disrupted our organization work. We have other work, sir, in addition to attending these hearings.

Senator COPELAND. Do you mean the minutes?

Mr. RUSH. The minutes of the real estate board. If it would be possible to make these extracts, they are available; but we require them to carry on the routine organization work. We have a national convention here in January.

Senator COPELAND. How long will it take?

Mr. BRINKMAN. We can have the official reporter copy the minutes into the records of this hearing by to-morrow some time, I think, and return the records; or Monday at the latest, sir, I should say.

Mr. RUSH. That is perfectly satisfactory to me, sir. That is all right, because I have a meeting next week.

Senator COPELAND. Are you going to copy everything in that box?

Mr. BRINKMAN. No.

Mr. RUSH. Those are not all mine, Senator.

Mr. BRINKMAN. We are going to copy a good deal of these minutes.

The CHAIRMAN. All right. Then that seems to settle that. If no one else wants to be heard, we will conclude the hearing.

Senator COPELAND. I shall hardly think we should say that we will conclude the hearings.

The CHAIRMAN. Unless the committee asks for further hearings.

Senator COPELAND. Yes; I should say that we should adjourn subject to the call of the Chair.

The CHAIRMAN. All right. We are very much obliged to you.

Senator COPELAND. Mr. Chairman, I should like to have put in the record a letter which I received this morning—excerpts from it. I have stricken out all personal references.

(The letter is as follows:)

WASHINGTON, D. C., *November 30, 1932.*

Senator ROYAL S. COPELAND,
U. S. Senate Building, Washington, D. C.

DEAR SENATOR: As a newcomer to this city and a registered voter in your own State of New York, I am greatly interested in the current rental investigation conducted in the District of Columbia by the Senate District Committee, of which you are a member.

Since my call to work for the Reconstruction Finance Corporation, following four months' unemployment in my own city of New York, I have come into intimate contact with the real estate affairs of Washington and have had an unusual chance to make many comparisons within and without this city.

What are the facts? I am vitally concerned with economics and statistics in my work and am in a good position to present the real truth of the existing rental situation in Washington, as I have studied it and experienced it, too.

It required six weeks for me to find a residence which requires a greater portion of my monthly income than should be allocated for rental expense. Even though the address may be considered exclusive, I assure you that an inspection of the premises would change one's attitude toward that casual thought. It is even necessary to occupy a court (inside) apartment, exposed to incinerator smoke and odors from adjacent buildings—not exactly conducive to good health—in order to obtain a "favorable" rental. Despite this handicap it is in an all-white neighborhood. Other places, renting at the same figure and offering an outside exposure, are surrounded by questionable persons, black and white. Certainly, an interior location in a decent and respectable section of Washington is preferable to an exterior location overlooking alley slums, ramshackled huts, and deteriorating neighborhoods at the same amount of rent.

I endeavored to find an apartment renting at $50 per month, inclusive of electric refrigeration, which I desired to be located in a good, clean, and respectable neighborhood. On the basis of depressed business indices and adjusted New York rentals, I felt that that amount was sufficient for a place, comfortable and clean, which probably brought $60 before the depression. In one building, far from exclusive but suitable for good, medium-class Americans, I was astounded to find that the cheapest available apartment rented for $55 and had a northern exposure. It had been $57.50. Across the hallway an identical apartment (same layout, etc.) was priced at $57.50 because it faced the south, the much-coveted exposure in the District. It formerly brought $60. Now, it seems to me that two apartments with identical layouts should not present any price difference; they do not in New York City nor elsewhere to my knowledge. In addition to those rentals, a service charge against all tenants was levied for use of a telephone supplied by the building and serviced through a central switchboard. Upon inquiry as to whether or not a tenant had to pay the charge, I was told that it was assessed monthly even if the tenant did not wish to have a telephone. Practically all the desirable apartments have a switchboard, and the desire to occupy such a place necessarily includes that extra levy when in these days every dollar counts in the budget of a lowly paid Government worker.

My argument is, therefore, that there should be more reductions in Washington commensurate with the drop in business indices and the long-needed adjustment of local property valuations. It is a well-known fact that Washington real estate has been inflated badly ever since the influx of emergency workers during the World War and that vicious loan sharks and realty promoters here have been responsible for a policy of pyramiding over a period of years. Overpriced property naturally requires enormous carrying charges and resultant high rentals. Shall the bimonthly Government pay roll continue to support these parasites who in moments of passionate oratory harness unsuspecting and struggling Federal employees to funded debts for more than a normal period of home-purchasing years?

I have made several studies of living standards both here and in New York City and have concluded that even at a slightly lower salary I could provide at the present time in New York better accommodations, better food, and a margin of savings over actual costs of living than I can receive on my present income in Washington.

Why not give Federal employees an opportunity to express themselves? Solicit their views with the aid of the press and know both sides of the case.

If you desire, you may present this letter to your committee for its consideration. Moreover, if I can assist in any way the investigating subcommittee, I should be glad to perform any service that is within my best ability.

Yours very truly,

MEREDITH F. FOSTER.

(Thereupon, at 4.50 o'clock p. m., the subcommittee adjourned subject to the call of the chairman.)

(The excerpts from the records of the Washington Real Estate Board, which the counsel for the subcommittee was authorized to insert, are as follows:)

WASHINGTON REAL ESTATE BOARD

Offices: 1417 K Street N. W.

Washington, D. C.

Phone Main 4495 July 18th, 1925.

SPECIAL NOTICE TO ACTIVE MEMBERS

The executive Committee especially requests the active members of this Board to cooperate with the Washington Association of Building Owners and Managers in the development of vital information concerning vacancies in apartments at this time.

Enclosed is a form prepared by the Building Owners and Managers organization which we urge you to fill in carefully and forward direct to the Secretary, Mr. David B. Karrick, 1420 You Street, N. W., at your very earliest convenience.

Additional forms and complete information may be obtained by calling Miss Meister, Executive Secretary, of that organization whose telephone number is North 6476.

Respectfully,

John A. Petty,
Executive Secretary.

Enc.

PURSUANT to request by the Executive Secretary of the Washington Real Estate Board, a meeting was held at the offices of the Board on January 26, 1926, at 1:00 P. M., for the purpose of discussion of the desirability of the organization of a Property Management Division in the Board, at which meeting the following-named representatives of members of the Board were present:

Mr. W. Gilbert Dent	Office of Gardiner & Dent
Frank Bell	B. F. Saul Co.
E. Stuart Poston	Allan E. Walker
R. B. King	N. L. Sansbury Co.
John T. Meany	Stone & Fairfax
D. R. Weedon	J. C. Weedon & Co.
L. E. Meany	Moore & Hill
Luther W. Linkins	George W. Linkins
W. A. Romer	" "
Benj F. Adams	Union Realty Co.
W. C. Wedding	Boss & Phelps
Robert L. Hughes	Hedges & Middleton
R. W. Eisinger	Am. Sec. & Trust Co.
A. L. Houghton	A. C. Houghton & Co.
J. F. M. Bowie	H. L. Rust Co.
Elton F. Young	Shannon & Luchs

FOLLOWING a general discussion, Mr. W. Gilbert Dent, as temporary chairman, called the meeting to order, stating the purpose of the meeting to be as above-outlined, and asked for expressions of opinion by those present. Several matters of importance were brought into discussion, and it was finally

MOVED, by Mr. Houghton, that it be recommended to the Board that a property management division be formed within the Board, to be limited to active members of the Board or their representatives. The motion was seconded by Mr. Linkins, put to vote and

CARRIED unanimously, and the temporary secretary directed to convey to the Board the sense of this meeting.

IT WAS then ascertained from the Executive Secretary of the Board informally that the organization of such a division of the Board would have the approval of the Executive Committee, and the meeting thereupon proceeded with the

ELECTION OF OFFICERS, subject to the approval of the Executive Committee of the Board. Upon proper motions properly seconded, the following officers of the Property Management Division were unanimously elected:

Chairman, Mr. J. F. M. Bowie
Vice-Chairman, Mr. Frank Bell
Secretary, Mr. John T. Meany

THE CHAIRMAN then took charge of the meeting and called for expressions of opinion as to the matters considered as of primary importance for the attention of the Division, and it was the sense of the meeting that the following questions should be first taken up:

1. Revision of Rent and Commission Schedule.
2. Record of Tenants and Applicants.

3. Use of signs.
4. Contracts with Owners Regarding Property Management.
5. Advertising and Booklets.

After general discussion of the foregoing, it was regularly moved and seconded, and carried unanimously

THAT the Chairman appoint a committee of the representatives present to investigate and report at the next meeting of the Division on each of the two following matters:

1. Revision of Rent and Commission Schedule
   Chairman: Mr. Bell
   Members: Mr. King
   Young
   Poston
   L. E. Meany
   Hughes
   Romer
   Bowie
2. Record of Tenants and Applicants.
   Chairman: Mr. Dent
   Members: Mr. Linkins
   Eisinger
   Wedding
   Adams
   Houghton

IT WAS then decided, upon motion duly made, seconded, and unanimously carried, that the

NEXT MEETING of the Division be held Friday, February 5th, and the General Secretary was requested to make arrangements for the meeting to be held at luncheon at the City Club.

NO further business coming before the meeting, it was then ADJOURNED.

A regular meeting of the Property Management Division of the Washington Real Estate Board was held at the City Club on Friday, February 5th, 1926, at 12:30 o'clock, at which the following officers of the Division and representatives of members of the Board were present.

Chairman: Mr. J. F. M. Bowie
V. Chairman: Frank Bell.
Secretary: John T. Meany.
Executive Secretary of Board: James P. Schick.
Representatives:
Mr. Ralph H. Campbell, W. K. Hartung Co.
E. B. Shaver, W. H. Saunders Co.
Chas. F. Morrison, W. H. Saunders Co.
L. M. Herbert, J. A. Herbert & Sons.
W. A. Faucette, Chas. D. Sager.
W. L. Brady, Wash. Loan & Trust Co.
C. P. McCurdy, H. L. Rust Co.
Ralph Howenstein, Howenstein Bros.
P. C. Bowie, H. L. Rust Co.
Albert H. Gaddis, Cafritz Co.
Cyrus Simmons, Cyrus Simmons
H. D. Perrin, Cyrus Simmons
Ralph S. Nisle, Jos. Shapiro Co.
C. B. Melville, Boss & Phelps
Donn B. Thomas, J. Benson Thomas Co.
Leroy Gaddis, Jr., Allan E. Walker Co.
L. E. Meany, Moore & Hill.
E. Stuart Poston, Allan E. Walker Co.
A. C. Houghton, A. C. Houghton Co.
W. G. Dent. Gardiner & Dent
W. C. Wedding, Boss & Phelps
W. J. Middleton, Gardiner & Dent
R. W. Eisinger, Amer. Security & Trust Co.
Benj. F. Adams, Union Realty Corpn.
C. Nixon, Maddux, Marshall, Moss & Mallory
J. T. Nussear, Thos. E. Jarrell Co.
W. A. Romer, Geo. W. Linkins
Russell B. King, N. L. Sansbury Co.

Following luncheon, the meeting was called to order by the Chairman.

The Chairman then made the following committee appointments, members of the respective committees to be later appointed:

Mr. A. C. Houghton, as Chairman of Committe on Contracts with Owners regarding Property Management.

Mr. Benj. F. Adams, as Chairman of Committee on Use of Signs.

The Chairman then called for the report of Mr. Bell, Chairman of the Committee on Revision of Commission Schedule.

Mr. Bell reported that his committee had held a meeting on February 3rd at the offices of the Board, at which time the matters assigned to the committee were gone into in detail and thoroughly discussed. Certain conclusions were reached on each question, and it was decided to present them to the Division for its consideration. These recommendations were then presented to the Division for its consideration as follows:

1st. That there shall be a commission of 5% on apartment and dwelling rentals up to $100,000.

This recommendation was discussed and then unanimously adopted by the Division on motion duly made seconded and carried.

2nd. That owners of rental property shall pay for Resident Managers, Special Advertising, and Booklets, but the agent shall pay for the usual classified advertising.

This recommendation was likewise discussed and adopted.

It was then suggested that before presenting any program of the Division to the Board, it would be well to have such program complete in every detail, and it was decided to pass upon these recommendations as they are presented, holding the Committee intact to further investigate any questions referred back to it by the Division.

Mr. Bell then proceeded with his report, opening for discussion the next subject, that of commission on business properties.

Mr. Dent at this time desired to submit the report of his committee, but it was decided to dispose of Mr. Bell's report before taking up that of Mr. Dent.

No further business then being possible, the meeting was adjourned until Friday, February 12th, at 12:30, for luncheon at the City Club.

A regular meeting of the Property Management Division of the Washington Real Estate Board was held at the City Club on Friday, February 19th, 1926, at 12:30 o'clock, at which the following Officers of the Division and representatives of Members of the Board were present:

CHAIRMAN: J. F. M. BOWIE
V. CHAIRMAN: Frank Bell
SECRETARY: J. T. Meany.
Exec. Secy. of Board: James P. Schick
Representatives: Messrs. Shaver, W. H. Saunders Co.
Morrison, W. H. Saunders Co.
Faucett, Chas. D. Sager Co.
Adam, Union Realty Co.
Herbert, T. M. Herbert
Houghton, A. C. Houghton Co.
Meany, Moore & Hill
Wedding, Boss & Phelps
Melville, Boss & Phelps
Phillips, Douglass and Phillips
Eisinger, A. Sec. & Tr. Co.
Brady, Wash. Loan & Trust Co.
Roamer, Geo. W. Linkins & Sons
Jarrell, Thos. E. Jarrell Co.
Poston, Allen E. Walker.

Following luncheon, the meeting was called to order by the Chairman.

The Chairman stated as the first order of business the continuation of the report of the Chairman of the committee on revision of commissions.

Discussion followed of the recommendations of the committee on questions under the head of business property, and the following decisions were made by those present:

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AGREED: That there shall be 5% commission on all business property rentals.

AGREED: That if owner collects rent after lease is executed, 2½% commission shall be paid on the full term of the lease, payable in advance, providing lease is for a period of 2 years or more. If for less term, commission shall be one-half of the first month's rent. This resolution was amended to apply to both residential and business property.

AGREED: That if owner takes property away after tenant is secured, 2½% commission on the unexpired term of the lease shall be paid. This resolution also amended to apply to both residential and business property.

AGREED: That there shall be no division of commission unless property rents for $100 or more.

AGREED: That where there is only a store, or the entire property is leased to one party, commission shall be divided 2% to the broker securing the tenant and 3½% to the agent having the management of the property.

AGREED: That commission shall be payable as collected.

AGREED: That where one broker obtains tenant and another broker is agent for the property, the broker obtaining the tenant shall be paid no commission on option or renewal of lease.

AGREED: That there shall be a minimum fee of $1.00 to be paid on all rentals under $20 per month.

AGREED: That in case of cooperative apartments, there shall be a fee for the management of the corporation of 5% on the estimated gross yearly rental of the property, and a commission of 5% for the management of any apartments rented out by the owners.

There being no further business, the meeting was adjourned.

A regular meeting of the Property Management Division of the Washington Real Estate Board was held at the City Club on Friday, March 5th, 1926, at 12:30 o'clock, at which the following officers of the Division and Representatives of Members of the Board were present:

Chairman: J. F. M. Bowie, Rust Co.
Vice-Chairman: Frank Bell, Saul Co.
Sec'y: J. T. Meany, Stone & Fairfax.
Executive Secy. of Board: James P. Schick.
Representatives: Messrs. Hughes, Hedges & Middleton.
O. T. Carr
P. C. Bowie of Rust Co.
Herbert, T. M. Herbert
Sinclair
Adams, Union Realty Co.
Eisinger, American Security & Trust
Shaver, Saunders Co.
Morrison, Saunders Co.
Meany, Moore & Hill
Roamer, Linkins
Campbell, Hartung
Houghton, A. C. Houghton Co.
Offut
Jarrell, Thos. E. Jarrell
Wedding, Boss & Phelps
Melville, Boss & Phelps
Nixon, Maddox, Marshall, Moss & Mallory
Gravatte, L. T. Gravatte

After luncheon, the meeting was called to order by the Chairman, who requested the reading of the minutes of the last meeting.

The minutes were read by the Secretary and approved as read.

The Chairman then appointed two committees as follows:

Committee on Contracts with Owners regarding Property Management: Mr. A. C. Houghton, Chairman
Members: Messrs. Shaver, Herbert, Brady, Poston, Luther Linkins, and Nixon.

Committee on Signs, Mr. Adams, Chairman:
Members: Messrs. Stoever, Eisinger, Morrison, P. C. Bowie, J. T. Meany, Karl Jarrell.

Mr. Bell also submitted the following resolution to be added to the report:

"When a new apartment building is opened and rented by one broker, and turned over to some one else prior to the expiration of one year, the broker releasing said property shall be paid a commission of 5% on the rents already collected, and a commission of 2½% on the apartments rented, for the unexpired term of a one year period."

On motion of Mr. Houghton, properly seconded, this resolution was unanimously adopted.

The Executive Secretary of the Board then presented to the Division some commission schedules of Boards located in other cities.

It was moved by Mr. Shaver, and properly seconded, that the report of Mr. Bell's Committee on Revision of Commission Schedule be approved and adopted by the Division and forwarded to the Executive Committee of the Board, and that it be printed and a copy sent to each active member of the Board. The motion was put to vote and carried unanimously.

No further business then coming before the meeting, it was adjourned subject to call of the Chairman.

WASHINGTON REAL ESTATE BOARD.

Offices: 1417 K Street, N.W.

Washington, D. C.

Phone Main 4495.

May 20th, 1926.

SPECIAL NOTICE TO ACTIVE MEMBERS

Please be advised that at a meeting of the Board held on Thursday, May 13th, 1926, a new schedule of rent commissions governing the division of sales commissions were adopted.

Enclosed herewith you will find the Board's Schedule of Commissions revised to include those recently adopted.

Very truly yours,

James P. Schick
Executive Secretary.

S:A

A regular meeting of the Property Management Division of the Washington Real Estate Board was held at the University Club at 12:30 P.M., Monday, November 29, 1926, at which the following officers of the Division and representatives of members of the Board were present:

Chairman J. F. M. Bowie
Vice-Chairman Frank Bell
Secretary John T. Meany.
Representatives: Messss. R. L. Hughes — W. G. McGuire
K. E. Jarrell — W. A. Brown, Jr.
R. H. Campbell — M. A. Offut, Jr.
R. W. Eisinger — W. A. Faucette
Executive Secretary of Board: James P. Schick.

Chairman Bowie stated that the matter for discussion at the meeting was the question of an automatic renewing clause in yearly leases. He then asked Mr. Schick, the Secretary of the Real Estate Board, to address the meeting.

Mr. Schick went into the subject very thoroughly, giving the history of the cases where the matter of this renewal clause has been taken through the courts up to the Court of Appeals, which court has declared it void.

General discussion ensured, and it was the sense of the meeting that something should be done to make tenants renew leases.

Mr. Schick was asked to secure information from other Boards in other cities as to their methods in this regard, to be discussed at future meetings of the division.

The meeting was then adjourned at 2:30 P.M. with the understanding that another meeting was to be held in about two weeks, or on December 19, 1926.

In response to a notice sent to all Active Members by the Executive Secretary a meeting was held in the offices of the Board for the purpose of organizing a division to be known as the "Mortgage & Finance Division", at 3 P. M., April 19th, 1927, with the following in attendance:

John F. Maury
H. L. Rust, Sr.
G. Calvert Bowie
Randall H. Hagner
Mr. Gillighan with Randall H. Hagner
Mr. Charles with McKeever & Goss
Frank Bell
Mr. Fields with Hedges & Middleton
Claud Livingston
Francis A. Murray with N. L. Sansbury Co.
E. Quincy Smith
Fred T. Nesbit
Karl Jarrell
Harry Welch
Mr. Glover of Glover & Flather
W. F. Chappell with Glover & Flather
J. C. Weedon
Brodie & Colbert
Wm. T. Jorgensen with Harry E. Gladman
Mr. Tripp with Harry E. Gladman
W. L. King with Boss & Phelps.

The meeting was opened by Mr. Schick who stated briefly the purpose of the meeting and upon motion duly made and seconded G. Calvert Bowie was elected temporary chairman and W. L. King temporary secretary. Thereupon the temporary chairman read the following and invited a discussion of the subject.

Harry Welch stated that he thought the tactics used by some of the brokers in securing loans were unethical, that it was time an organization was formed to formulate some method, first for getting the business and second for the guidance of new members and some of the representatives of the old firms in submitting loans generally to banks and trust companies. He stated that he had been told by some of the banks that they had been offered loans that showed the lack of knowledge of the men handling them. He stated that a committee should be appointed to prepare a set of ethics and practices to be followed in conducting a loan business.

Mr. Hagner stated that he did not see why the loan division should not be organized the same as had been done in the case of sales and rents.

The temporary chairman stated that if it was the opinion of the representatives present that a "Mortgage and Finance Division" be formed he would entertain such a motion; upon which Mr. Welch duly moved that proper steps be taken to form a division in the Washington Real Estate Board to be known as a "Mortgage & Finance Division," seconded by Mr. Nesbit, the motion was carried unanimously.

It was then moved by Mr. Welch and seconded by Mr. Hagner that a committee be appointed for this purpose. This motion was carried and the temporary chairman deferred appointing the committee until a later date.

The memorandum previously read was then discussed by paragraph, taking up first paragraph #1 relating to commissions.

It was suggested by Mr. Weedon that in establishing a minimum commission for placing loans that a minimum amount be also named on account of the small loans amounting to $1500 and $2000.

Mr. Weedon also questioned the different rates suggested as between houses and apartment loans which was answered by the temporary chairman who explained that notes secured by first mortgages on apartments were not as quickly and readily salable as on residences therefore the difference in the suggested rate of commission.

Mr. Welch recommended that the question of renewals be included in the proposed schedule as well as the commission for placing the loan initially.

Mr. Jorgensen suggested that the question of loans on colored property be considered at a different rate of commission.

Mr. Nesbit suggested that a gross commission be considered which was intended to include the commission to the broker procuring the application instead of having the schedule of commission showing net to the landing office.

Discussion of Item 2: Basis of Division with Brokers securing an application.

3. Matter of soliciting loans about to mature.

Mr. Welch stated that he thought that it was anything but ethical and on the other hand was very unprofessional to solicit maturing loans held by fellow brokers.

Mr. Weedon stated that if you can give someone something that the other fellow cannot "I do not know but what it is all right."

Mr. Bell suggested that the practice followed in Cleveland might solve the problem. That he understood that they permitted writing of letters but no personal solicitation. He suggested the reading of an article by Mr. John Stalker of Detroit which appeared in a recent issue of the Real Estate Journal on this subject.

Mr. E. Quincy Smith stated that he would like to see the Division adopt a resolution to the effect that it would not look with favor upon any broker going after a fellow broker's business.

4. Amount and style of advertising by lending sources.

The sentiment of the meeting seemed to be that it would not be necessary to limit the size or amount of advertising that anyone would do but that advertising should be restricted against anything that would tend to be a catch card.

The question of commissions was then discussed again. Mr. Rust stated that it was his understanding that of course in case the minimum rate decided upon be one per cent that would be net to the office representing the lender as they could not afford to divide one per cent in any way. The subject was discussed quite freely and the consensus seemed to result in the suggestion to the committee that they consider a gross minimum commission for placing loans with the same charge for renewals as follows:

1¼ per cent for 3 year loans
2 per cent for 5 year loans
3 per cent for 10 year loans, giving the broker bringing in the application one-third of the commission.

Mr. Hagner suggested that the committee consider whether any division should be made in the commission on the fire insurance premium.

There being no further business the meeting adjourned at 4:45 o'clock.

Respectfully submitted:

W. L. King, Temporary Secretary.

(MEMORANDUM OF MATTERS FOR DISCUSSION AT THE MEETING SCHEDULED FOR TUESDAY, APRIL 19th, OF THE GROUP IN THE WASHINGTON REAL ESTATE BOARD CALLED FOR THE PURPOSE OF ORGANIZING A MORTGAGE SECTION IN THE WASHINGTON REAL ESTATE BOARD.

1. Commissions suggested (net to the office representing the lender of owner of the funds.)

1% for 3 years loans
1½% for 5 year loans
2% for 10 year loans

(Increase ½% for loans in Chevy Chase, Takoma Park and other nearby Maryland sections).

Construction loans
2% on dwelling houses
3% on apartment houses

Loans in Maryland (outlying sections)
2% for 3 year loans
3% for 5 year loans
4% for 10 year loans

2. Basis of division with brokers securing an application but without connection with a lending source.

Recognition of same broker at the time of renewal.

3. Matter of soliciting loans about to mature.

4. Amount and style of advertising by lending source.)

Minutes of a meeting of the sub-committee for the purpose of forming the Mortgage & Finance Division of the Washington Real Estate Board held in the Board's offices on Monday, May 16th, 1927 at 2:30 P. M. with the following in attendance:

Messrs. H. L. Rust, Sr., Frank Bell, Martin R. West, A. H. Lawson, Wm. J. Flather, Jr., Harry S. Welch, G. Calvert Bowie, Chairman, and W. L. King, Secretary.

After due consideration the following schedule of commissions was unanimously recorded as the recommendation of the Committee:

"On all loans up to and including $100,000 secured by first deed of trust on completed properties:

Minimum of 1½% for three year period
Minimum of 2% for five year period
Minimum of 2½% for over five years.

The minimum commission on loans over $100,000 secured by first deed of trust on completed properties to be ½% less than the above schedule on the amount in excess of $100,000; e. g., the commission on a loan of $200,000 for three years to be as follows:

$1,500.00 on the first $100,000.00
1,000.00 on the second $100,000.00

$2,500.00 total commission.

CONSTRUCTION LOANS: The minimum commission on construction loans secured by first deeds of trust on residences or apartments shall be

2% for three year period, and
2½% on five year period.

On all loans beyond the limits of the District of Columbia increase the schedule ½ of 1% throughout.

The minimum commission on loans less than $1,700.00 shall be $25.00.

The commission may be waived on loans made to religious and philanthropic institutions.

BASIS OF DIVISION OF COMMISSION WITH BROKERS: ⅓ of the total commission shall be allowed the broker procuring application on finished properties. ¼ of the total commission shall be allowed the broker procuring application for construction loans.

RENEWAL OF LOANS: The rate of commission for renewal of loans shall be ½ of 1% less than the rate applying on finished properties for the same term.

A maximum of ¼ of the total commission may be paid to a broker at the time of renewal of a loan.

SOLICITING LOANS: There shall be no solicitation by letter or otherwise of maturing loans held by or represented by other members of the Real Estate Board.

FIRE INSURANCE: The writing of fire insurance shall be done by the lending office without any division of commission on the premium.

RELIEF COMMITTEE: It is the recommendation of this Committee that a Relief Committee of three be appointed by the President of the Washington Real Estate Board from the members of the Mortgage & Finance Division and it is further suggested that in selecting the three committeemen that one be selected from one of the trust companies, one from the office of a loan correspondent for one of the life insurance companies and the third member of the committee to be selected from an office which has as its principal source of money the sale of first mortgage notes to its customers. It is the opinion of this Committee that said Relief Committee should be empowered with the handling of all questions that might arise in the Mortgage and Finance Division such as allowing members of the Board to deviate from the schedule of commissions and ethics when in the judgment of such said Relief Committee it is necessary for the member to do so in competition with a non-member."

There being no further business the meeting adjourned.

Respectfully submitted:

Wm. L. King, Secretary.

Meeting of the Mortgage & Finance Division of the Washington Real Estate Board in the Board rooms at 2 P. M., June 6th, 1927 with the following in attendance:

G. Calvert Bowie, Temporary Chairman presiding, W. L. King, Temporary Secretary, H. L. Rust, A. H. Lawson, B. F. Saul, Frank Bell, T. L. Phillips, Harry S. Welch, Martin West, J. C. Weedon. Karl Jarrell, Fred Nesbit, W. F. Chappell of Glover & Flather, Capt. A. J. Gore, Wm. T. Jorgensen with Harry E. Gladman, Randall H. Hagner, E. Quincy Smith, Harry Pitts, of Shannon & Luchs, W. J. Flather, Jr., Nelson Hughes of Chas. D. Sager.

The following motion was made by J. C. Weedon, seconded by H. L. Rust, Sr., and carried unanimously:

1. Minimum commission on all loans up to and including $100,000 secured by first deed of trust on completed properties:

1½% for three year period
2% for five year period
2½% for over five years.

Moved by J. C. Weedon, seconded by H. L. Rust, Sr., and carried unanimously.

2. The minimum commission on loans over $100,000 secured by first deed of trust on completed properties to be ½% less than the above schedule on the amount in excess of $100,000.

Moved by H. S. Welch, seconded by H. L. Rust, Sr., and carried unanimously.

3. CONSTRUCTION LOANS: The minimum commission on construction loans secured by first deeds of trust on residences or apartments shall be

2% for three year period, and
2½% for five year period.

On all loans beyond the limits of the District of Columbia increase the schedule ½ of 1% throughout.

The minimum commission on loans less than $1,700 shall be $25.00.

The commission may be waived on loans made to religious and philanthropic institutions.

On motion of T. L. Phillips, seconded by Wm. J. Flather, Jr., the following was unanimously carried:

BASIS OF DIVISION OF COMMISSION WITH BROKERS: Not to exceed ⅓ of the total commission shall be allowed the broker procuring application on finished properties.

Moved by H. L. Rust, seconded by Wm. J. Flather, Jr., carried unanimously.

Not to exceed ¼ of the total commission shall be allowed broker procuring application for construction loans.

On motion Harry S. Welch seconded by Randall H. Hagner the following was unanimously adopted:

RENEWAL OF LOANS: The minimum rate of commission for renewal of loans shall be ½ of 1% less than the rate applying on new loans on finished properties for the same term.

The following motion was made by Harry S. Welch and on account of there being no second it was not considered:

A maximum of ¼ of the total commission charged by the lending broker to be paid the procuring broker at the time of such renewal provided he represents the owner at the time of the renewal.

Moved by J. C. Weedon, seconded by H. L. Rust, the following was unanimously carried: A maximum of ¼ of the total commission may be paid to broker at time of renewal of loan.

On motion of Mr. Weedon, amended by Mr. Hagner, duly seconded, the following was unanimously adopted:

There shall be no solicitation by letter or otherwise of maturing loans less than $25,000, held by or represented by other members of the Real Estate Board. This prohibits the distribution to persons whose loans are about to mature any printed matter in reference to the making of mortgage loans.

On motion of Mr. Welch, amended by Mr. Rust, seconded by Mr. Nesbit, the following was adopted with reference to fire insurance.

The writing of fire insurance shall be done by the lending office and the lending office may allow the broker procuring loan application a maximum division of the commission on the insurance on the same basis that the commission on the loan is divided.

Move by Mr. Hagner, seconded by Mr. West, the following was unanimously carried:

RELIEF COMMITTEE: It is the recommendation of this Committee that a Relief Committee of three be appointed by the President of the Washington Real Estate Board from the members of the Mortgage & Finance and it is further suggested that in selecting the three committeemen that one be selected from one of the trust companies, one from the office of a loan correspondent for one of

the life insurance companies and the third member of the committee to be selected from an office which has as its principal source of money the sale of first mortgage notes to its customers. It is the opinion of this Committee that said Relief Committee should be empowered with the handling of all questions that might arise in the Mortgage & Finance Division such as allowing members of the Board to deviate from the schedule of commissions and ethics when in the judgment of such Relief Committee it is necessary for the member to do so in competition with a non-member.

The Executive Secretary was requested to distribute to all the members of the Board the decisions reached at the meeting in order that the matter might be discussed and formally passed upon at the next regular meeting of the Real Estate Board.

There being no further business on motion the meeting adjourned.

Respectfully submitted.

W. L. KING, *Temporary Secretary.*

WASHINGTON REAL ESTATE BOARD.

Member of the National Association of Real Estate Boards.

1417 K Street, N.W. Phone Main 4495.

Washington, D. C.

James P. Schick

Executive Secretary and Treasurer

Officers
John F. Maury, Pres.
Wm. C. Miller, Vice Pres.
Ben. T. Webster, Vice Pres.
M. P. Canby, Chrm.
Associate Division.
EXECUTIVE COMMITTEE
The above officers and
Clarence F. Donohoe
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Claud Livingston

S. N. Richards
Assistant Secretary.

Appraisal Committee
H. Clifford Bangs
G. Calvert Bowie
Arthur Carr
Clarence Dodge
Wm. J. Flather, Jr.
J. Dallas Grady
Wm. A. Hill

Associate Assistants
L. C. Leigh
Wm. M. Throckmorton.

June 10th, 1927.

SPECIAL NOTICE.

The next meeting of the Washington Real Estate Board will be a regular meeting and will be held on Thursday, June 23rd, 1927 at 8:15 P. M. at the Wardman Park Hotel.

This will be an important meeting as, in addition to the program, there will be several important matters of business to be presented.

MORTGAGE & FINANCE DIVISION.

The Mortgage & Finance Division which was organized sometime ago has given careful thought and consideration to the revision of the schedule of commissions and rules of practice which are now in force. This division has framed a new schedule of commissions and rules of practice which have been presented to and approved by the Executive Committee and this schedule and these rules will be submitted to the Board for consideration and adoption at this meeting. A copy of this schedule is also attached hereto.

On conclusion of the program a buffet supper will be served.

Very truly yours,

James P. Schick,
Executive Secretary.

RECOMMENDATIONS OF THE MORTGAGE & FINANCE DIVISION.

The minimum commission on all loans up to and including $100,000, secured by first deed of trust on completed properties shall be: 1½% for three year period, 2% for five year period, and 2½% for over five years.

The minimum commission on loans over $100,000, secured by first deed of trust on completed properties shall be as above on the first $100,000 and ½% less than the above schedule on the amount in excess of $100,000.

The minimum commission on construction loans secured by first deeds of trust shall be 2% for three year period and 2½% for five year period.

On all properties beyond the limits of the District of Columbia increase the above schedule ½% throughout.

The minimum commission on loans of less than $1,700.00 shall be $25.00

The minimum rate of commission for renewal of loans shall be ½% less than the rate applying on new loans on finished properties for the same term.

The Commission may be waived on loans made to religious and philanthropic institutions.

Basis of division of commission with brokers: Not to exceed ⅓ of the total commission shall be allowed the broker procuring application on finished properties.

Not to exceed ¼ of the total commission may be paid to broker at the time of renewal of a loan.

There shall be no solicitation by letter or otherwise of maturing loans of less than $25,000, held by or represented by other members of the Washington Real Estate Board. This prohibits the distribution of any printed or written matter in reference to the making of mortgage loans to persons whose loans are about to mature.

The writing of fire insurance shall be done by the lending office and the lending office may allow the broker procuring the loan application a maximum division of the commission on the insurance on the same basis that the commission on the loan is divided.

It is the recommendation of this Division that a Relief Committee of three be appointed by the President of the Washington Real Estate Board from the members of the Mortgage & Finance Division and that in selecting the three committee men that one be selected from one of the Trust Companies, one from the office of a loan correspondent for one of the life insurance companies and the third from an office which has as its principal source of money the sale of mortgage notes to its customers. It is the opinion of this Division that said Relief Committee be empowered with the handling of all questions that arise in the Mortgage & Finance Division such as allowing members of the Board to deviate from the schedule of commissions and ethics when in the judgment of such Relief Committee it is necessary for the member to do so in competition with a nonmember.

WASHINGTON REAL ESTATE BOARD

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1417 K Street, N. W. Phone Main 4495

Washington, D. C.

James P. Schick
Executive Secretary and Treasurer.

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Wm. J. Flather, Jr.
J. Dallas Grady
Wm. A. Hill

Associate Assistants
L. C. Leigh
Wm. M. Throckmorton

June 31st, 1927.

SPECIAL NOTICE TO ACTIVE MEMBERS.

The Mortgage and Finance Division will meet in the offices of the Board on Monday afternoon, June 6th, 1927 at 2:00 P. M.

The purpose of this meeting is to consider the report of the committee appointed to consider and recommend a schedule of commissions and policies for the division. The report of this committee is enclosed herewith for your consideration.

It is suggested that you attend this meeting and be prepared to discuss the schedule as presented in order that the matter may be taken up at the meeting of the Board to be held during the coming month.

Very truly yours,

James P. Schick,
Executive Secretary.

Due to a change in schedule this meeting will be held as above stated and not on Wednesday, June 1st as noted in the Washington Realtor last Sunday.

REPORT OF MORTGAGE & FINANCE COMMITTEE

The following is the recommendation of the Committee appointed for the purpose of forming the Mortgage & Finance Division in the Board and to formulate a schedule and policies for the Division:

"Minimum Commissions on all loans up to and including $100,000. secured by first deed of trust on completed properties:

1½% for three year period,
2% for five year period,
2½% for over five years.

The minimum commission on loans over $100,000. secured by first deed of trust on completed properties to be ½% less than the above schedule on the amount in excess of $100,000; e. g., the commission on a loan of $200,000. for three years to be as follows:

$1,500.00 on the first $100,000.00
1,000.00 on the second $100,000.00

$2,500.00 total commission.

CONSTRUCTION LOANS: The minimum commission on construction loans secured by first deeds of trust on residences or apartments shall be

2% for three year period, and
2½% for five year period.

On all loans beyond the limits of the District of Columbia increase the schedule ½ of 1% throughout.

The minimum commission on loans less than $1,700.00 shall be $25.00.

The commission may be waived on loans made to religious and philanthropic institutions.

BASIS OF DIVISION OF COMMISSION WITH BROKERS: ⅓ of the total commission shall be allowed the broker procuring application on finished properties. ¼ of the total commission shall be allowed the broker procuring application for construction loans.

RENEWAL OF LOANS: The rate of commission for renewal of loans shall be ½ of 1% less than the rate applying on finished properties for the same term.

A maximum of ¼ of total commission may be paid to broker at times of renewal of a loan.

SOLICITING LOANS: There shall be no solicitation by letter or otherwise of maturing loans held by or represented by other members of the Real Estate Board.

FIRE INSURANCE: The writing of fire insurance shall be done by the lending office without any division of commission on the premium.

RELIEF INSURANCE: It is the recommendation of this Committee that a Relief Committee of three be appointed by the President of the Washington Real Estate Board from the members of the Mortgage & Finance Division

and it is further suggested that in selecting the three committeemen that one be selected from one of the trust companies, one from the office of a loan correspondent for one of the life insurance companies and the third member of the committee to be selected from an office which has as its principal source of money the sale of first mortgage notes to its customers. It is the opinion of this Committee that said Relief Committee should be empowered with the handling of all questions that might arise in the Mortgage & Finance Division such as allowing members of the Board to deviate from the schedule of commissions and ethics when in the judgment of such Relief Committee it is necessary for the member to do so in competition with a non-member."

Respectfully submitted:

G. Calvert Bowie	Martin West
Frank Bell	Harry S. Welch
Wm. L. King	Wm. J. Flather, Jr.
Randall H. Hagner	A. H. Lawson

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J. Dallas Grady
Wm. A. Hill

Associate Assistants
L. C. Leigh
Wm. M. Throckmorton.

July 8th, 1927.

SCHEDULE OF LOAN COMMISSIONS

At the last meeting of the Board a schedule of commissions and rules was submitted to the Board by the Mortgage and Finance Division to govern the making of first mortgage loans in the District of Columbia. This schedule was adopted by the Board and is now in force. The schedule as adopted is as follows:

The minimum commission on all loans up to and including $100,000. secured by first deed of trust on completed properties shall be: 1½% for three year period, 2% for five year period, and 2½% for over five years.

The minimum commission on loans over $100,000 secured by first deed of trust on completed properties shall be as above on the first $100,000. and ½% less than the above schedule on the amount in excess of $100,000.

The minimum commission on construction loans secured by first deeds of trust shall be 2% for three year period and 2½% for five year period.

On all properties beyond the limits of the District of Columbia increase the above schedule ½% throughout.

The minimum commission on loans of less than $1,700.00 shall be $25.00

The minimum rate of commission for renewal of loans shall be ½% less than the rate applying on new loans on finished properties for the same term.

The commission may be waived on loans made to religious and philanthropic institutions.

Basis of division of commission with brokers: Not to exceed ⅓ of the total commission shall be allowed the broker procuring application on finished properties.

Not to exceed ¼ of the total commission may be paid to broker procuring application for construction loans.

A maximum of ¼ of the total commission may be paid to broker at the time of renewal of loan.

There shall be no solicitation by letter or otherwise of maturing loans of less than $25,000, held by or represented by other members of the Washington Real Estate Board. This prohibits the distribution of any printed or written matter in reference to the making of mortgage loans to persons whose loans are about to mature.

The writing of fire insurance shall be done by the lending office and the lending office shall allow the broker procuring the loan application a maximum division of the commission on the insurance on the same basis that the commission on the loan is divided.

Upon call of the Chairman of the Mortgage & Finance Division, the Division met in the offices of the Board at 2 p. m., December 5th, 1927.

Mr. G. Calvert Bowie, Chairman, presided.

The following members were in attendance: G. Calvert Bowie, W. L. King, Secretary, B. F. Saul, J. B. Bowling, J. Frank Bell, Alton Wells of Story & Co., E. B. Shaver and Claud Livingston of Wm. H. Saunders & Co., Randall H. Hagner and Geo. F. Gilligan, Wm. J. Flather and A. F. Chappell of Glover & Flather, E. Jones of Weaver Bros., Morris Shapiro of Jos. Shapiro & Co., Arthur Carr, Karl Jarrell of Thos. E. Jarrell Co., Palmer C. Fields of Hedges & Middleton, Mr. Charles of McKeever & Goss, Clarence F. Donohoe, E. Quincy Smith, J. C. Weedon and Wm. F. Horgensen of Harry E. Gladman.

The purpose of the meeting was stated by the Chairman, which was to enable the members of the Division to meet and discuss any problem that had arisen in the due course of business.

Mr. Hagner raised the question of commission rates in so far as they applied to cases where the holder of a loan increased the loan on the same property, it having been brought to his attention that some of the offices were charging their renewal rate on an amount equal to the existing loan and the new loan commission rate on the amount in excess of the existing loan. After discussion it was moved by Mr. Saul and seconded by Mr. Hagner that the following interpretation be placed on the schedule of loan commissions: That when a broker increases the amount of a loan made by him it shall be regarded as a new loan and the new loan commission rate shall apply on the full amount.

An amendment by Mr. Smith, duly seconded as follows was lost: "Where the loan is restored to not exceeding the original amount, that the renewal amount apply." An amendment by Mr. Flather was duly secouded: "Except where in the renewal of a loan for an amount not exceeding the existing amount, new papers are required by reason of some legal requirement, that the renewal rate apply." This amendment was carried and a vote was then taken on the original motion with this amendmeilt which was carried, the same reading as follows:

"When a broker increases the amount of a loan made by him it shall be regarded as a new loan and the new loan commission rate shall apply on the full amount except where in the renewal of a loan for an amount not exceeding the existing amount, new papers are required by reason of some legal requirement that the renewal rate shall apply."

A letter was read from Weaver Bros. with reference to the construction of the Metropolitan add and the same was discussed. Mr. Flather moved that the Chairman appoint a committee to meet with Weaver Bros. and discuss the propriety of containing certain phases of advertisements as now appears in the local papers. This motion was carried and the Chairman appointed Mr. Wm. J. Flather, Jr. and W. L. King as a committee.

On motion of Mr. Saul, seconded by Mr. Flather, the following amendment was proposed to paragraph four of the schedule of loan commissions which provides for increasing the rate one and one-half per cent on all loans beyond the limits of the District of Columbia: "That the rate on new loans and renewals in the section lying in Montgomery County, Maryland, from the District Line to the railroad track on the north and from Sixteenth Street, extended, on the east to Wisconsin Avenue on the west, also Edgemoor and

Battery Park, shall be the same as the rate applying in the District of Columbia." The vote was five in favor of the motion and seven against. Then on motion of Mr. Flather, duly seconded, it was moved that this paragraph be amended by inserting the following "except Montgomery County, Maryland and Takoma Park." Upon vote there were eight in favor and four against the proposed amendment.

Paragraph four of the schedule of loan commissions would therefore read as follows: "On all properties beyond the limits of the District of Columbia, increase the above schedule one-half per cent throughout except in Montgomery County, Maryland and Takoma Park."

The following motion was then put by Mr. Saul, seconded by Mr. Hagner: "That where the applicant for a loan is a builder or broker, he is not entitled to participate in the division of the commission. A vote on this amendment was five in favor and two against, several not voting.

On motion of Mr. Flather, the meeting adjourned.

Respectfully submitted:

W. L. King, Secretary.

WASHINGTON REAL ESTATE BOARD

Member of the National Association of Real Estate Boards

1417 K Street, N. W. Phone Main 4495.

Washington, D. C.

James P. Schick
Executive Secretary and Treasurer

Officers:
W. C. Miller, Pres.
Ben T. Webster, Vice-Pres.
Jesse H. Hedges, Vice-Pres.
Lloyd F. Gaines, Chrm.
Associate Division.

Executive Committee.
The above officers and
A. C. Houghton
Alfred H. Lawson
Claud Livingston
John F. Maury
Horace G. Smithy
Monroe Warren

Appraisal Committee.
Arthur Carr
Clarence Dodge
Harold E. Doyle
Wm. J. Flather, Jr.
J. Dallas Grady
Thos. E. Jarrell
F. Elliott Middleton

Associate Assistants.
Hugh E. Phillips
E. J. Kyle

S. N. Richards,
Assistant Secretary.

December 16th, 1927.

SPECIAL NOTICE TO ALL MEMBERS

The next regular meeting of the Washington Real Estate Board will be held in the Ball Room of Wardman Park Hotel, Tuesday evening, December 20th, 1927, at 8:15 P. M.

The business program of the evening will include two items of importance to the Board.

First, the recommendation of the Committee on Signs will be open for discussion. This recommendation is that no sign be placed on residential property unless the broker holds an exclusive listing. The recommendation of the Committee is that this be effective as of January 1st, 1928. It is important that all sides of this question be presented for discussion. Please be prepared to express your opinion on the advisability of adopting the recommendation.

Secondly, certain recommendations made by the Mortgage and Finance Division will be presented by the Executive Committee. These recommendations are as follows:

That the schedule of commissions for the renewal of loans be interpreted as follows: "That when a broker increases the amount of a loan made by him it shall be regarded as a new loan and the new loan commission rate shall apply on the full amount except where in the renewal of a loan for an amount not exceeding the existing amount, new papers are required by reason of some legal requirement that the renewal rate shall apply."

That paragraph four of the Schedule of Commission be amended to read as follows: "On all property beyond the limits of the District of Columbia increase the above schedule one-half per cent throughout except in Montgomery County, Md., and Takoma Park.

That there be added to the schedule of loan commissions the following paragraph: "That where the applicant for a loan is a builder or broker he is not entitled to participate in the division of commission.

Very truly yours,

James P. Schick.

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J. Dallas Grady
Thos. E. Jarrell
F. Elliott Middleton

Associate Assistants:
Hugh E. Phillips
E. J. Kyle

S. N. Richards
Assistant Secretary.

January 21st, 1928.

ACTIVE MEMBERS

Important Notice to

PROPERTY MANAGEMENT DIVISION

At the meeting of the Property Management Division held on last Wednesday afternoon a number of matters of importance to rent departments were discussed.

The division considered the question as to limiting the number of "For Rent" signs and a motion prevailed that the matter be considered at a meeting of the Property Management Division to be held on Wednesday, Jan. 25th, 1928 and that all offices of the Board be notified of the meeting.

Another question which was discussed, and which will be brought up again at the next meeting, relates to a revision of the schedule of commissions on the renting of furnished houses and apartments.

Attention was directed to the granting of free rent by the owner and the division recommended that this matter be also placed on the program for discussion.

The above matters are of importance to members of the Board in the conduct of their rent departments and it is hoped there will be a large attendance of the property managers.

The meeting will be held in the offices of the Board on Wednesday afternoon, January 25th, 1928, at 3 p. m. Please be present or have your representative attend the meeting.

Very truly yours,

S:A

James P. Schick,
Executive Secretary.

A regular meeting of the Property Management Division of the Washington Real Estate Board was held at 3:00 P. M., January 25th, 1928, at the offices of the Board:

PRESENT: J. F. M. Bowie, H. L. Rust Co.
M. C. Shapiro, The Jos. Shapiro Co.
L. E. Meany, Moore & Hill, Inc.
R. C. Boyd, Thos. E. Jarrell Co.
M. C. Dorsey, J. F. Donohoe & Sons
E. H. Brent, Boss & Phelps
A. H. Gaddis, Cafritz Co.
F. W. Stoever, Shannon & Luchs
Earl E. Goss, McKeever & Goss
B. H. McCeney, R. H. Hagner & Co.
W. F. Albee, Wm. Corcoran Hill Co.
R. B. King, N. L. Sansbury Co.
A. J. Gore, A. J. Gore
R. M. Taylor, Shannon & Luchs
Lee D. Latimer, Lee D. Latimer Co.
Frank Bell, B. F. Saul Co.
H. C. Metcalf, Thos. J. Fisher Co.

The first matter brought up for discussion by the President, Mr. Bowie, was limitation of the number of rent signs to be displayed on any rental property. A general discussion followed, bringing out certain sentiment regarding limitation of display to one sign, unlimited listings of property, exclusive listings of rental property, and whether the matter should be presented to the Board as a recommendation or as a suggestion of policy. After discussion was closed, the following was moved by Mr. King, seconded by Mr. Goss, and passed by a majority vote of those present:

RESOLVED, That the Property Management Division recommend to the Board that members be limited to the display of only one broker's rent sign on any rental property, and that it be recommended that only one sign be displayed on any one piece of property.

The meeting then proceeded to a consideration of the matter of setting a commensurate rate of commission on furnished houses. Discussion developed some diversity of opinion as to any change in the rate, and a motion by Mr. King, seconded by Mr. Goss, that the rate of commission on furnished houses be increased to 10% instead of 5, was later withdrawn by Mr. King.

Mr. Bell then brought before the meeting the matter of the granting of free rent to tenants, but it was the sentiment of the meeting that insufficient time remained to go thoroughly into this matter, and upon motion by Mr. King, properly seconded, it was

RESOLVED, That the President call a meeting of the Division to be held before the next meeting of the Board, at which time this matter shall be considered. Upon motion, the meeting then adjourned, subject to call of the President.

Respectfully submitted:

Secretary.

WASHINGTON REAL ESTATE BOARD.

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Associate Division Executive Committee
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J. Dallas Grady
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F. Elliott Middleton

Associate Assistants.
Hugh E. Phillips
E. J. Kyle

S. N. Richards
Assistant Secretary.

April 28th, 1928.

SPECIAL MEETING

Mortgage and Finance Division

in the offices of the Board

Wednesday, May 2nd, 1928

3:00 P. M.

Subject: Consideration of commission schedule.

Two members of the Division have requested a meeting at which they would like to explain their attitude in respect to maintaining the present schedule of commissions on loans.

The question raised is vital and all members interested are urged to be present.

Respectfully,

George Calvert Bowie, Chairman,
Mortgage & Finance Division.

Minutes of a meeting of the Mortgage and Finance Division held in the offices of the Board on Wednesday, May 2nd, 1928 at 3:00 P. M.

Present representatives from the following offices:

The Joseph Shapiro Company
H. L. Rust Company
Harry E. Gladman
Boss & Phelps
Randall H. Hagner Company
Shannon & Luchs
Fred T. Nesbit
E. Quincy Smith
Glover & Flather
Weaver Bros.
Wm. H. Saunders & Co.
J. C. Weedon & Company
McKeever & Goss
J. Leo Kolb.

The meeting was called to order by Mr. George Calvert Bowie, Chairman, who stated that the occasion of the meeting was to give the members an opportunity to consider several letters received from Randall H. Hagner and Company and one from Weaver Bros. in reference to their attitude toward the present commission schedule.

Mr. Hagner, upon request, outlined his position which in substance was as follows: That the commission schedule be changed to read: "The rate of commission on all loans and renewals thereof shall be 1% for three years, 1½% for five years and 2% for over five years", and further, "that solicitations of loans from $7500.00 up be permitted."

Mr. M. R. West of Weaver Bros. in a brief statement outlined his feeling that the commission schedule on new loans should be reduced to meet the rate charged for renewals.

A discussion participated in by Mr. B. F. Saul, Mr. Wm. J. Flather, Jr., and Mr. E. Quincy Smith indicated in a general way a believe that the commission schedule should not be changed.

Mr. J. C. Weedon, who had to leave the meeting early, entered the plea that the group come together on some compromise arrangement and suggested that commission rates on new loans up to $10,000 be 1% and that members might be privileged to renew the loans on their books at ½ of 1% in competition.

Mr. Flather made the suggestion that if the proposed reduction in commission was made without permitting solicitation at all it might be possible to change the attitude of certain trust companies in order to have uniform compliance with the standard rates.

The suggestion was made by Mr. Flather that the matter be postponed for a week or so in order that an effort might be made to have Mr. Hagner withdraw his suggested changes. Whereupon Mr. Hagner reiterated his position and stated definitely that while he was not opposed to a postponement his position would remain the same as stated.

Mr. B. F. Saul stated that unless it was the desire of the group to postpone the matter for a week or two he was in favor of and would make a motion to have the schedule of commissions remain as is. After some discussion this motion was put by Mr. Saul formally and seconded by Mr. Flather.

At this point Mr. M. R. West, speaking for Weaver Bros., stated that as it appeared to be the consensus of opinion of the groups that no change should be made in the commission schedule he, speaking for Weaver Bros., would abide by the decision of the group at least for the time being.

After further discussion the motion of Mr. Saul was put to the meeting and those in favor were requested to rise. Every office represented with the exception of Randall H. Hagner & Company and Weaver Bros. stood and thereby expressed their affirmative vote on the motion. Mr. Flather qualified his vote by stating that he stood in favor of the motion personally but as he had not had an opportunity to discuss the subjejct with his partner he would not register a vote for his firm.

Before the negative vote could be called a motion to adjourn until a later date was made by Mr. Rust and amended, to meet Wednesday, May 16th at 3:00 P. M. This motion was duly seconded and carried.

The meeting stood adjourned until Wednesday, May 16th at 3:00 P. M.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Secretary.

Minutes of a meeting of the Mortgage & Finance Division held in the offices of the Board on Wednesday, May 16th, 1928 at 2.00 P. M.

Present: Representatives from the following offices:

McKeever & Goss
B. F. Saul Company
Harry E. Gladman
Hudges & Middleton
Thos. E. Jarrell Company
H. L. Rust Company
Randall H. Hagner & Company
Anchor Realty Corporation
Boss & Phelps
Shannon & Luchs
Percy H. Ressell
Fred T. Nesbit
J. E. Douglass Company
Glover & Flather.

The meeting was called to order by Mr. George Calvert Bowie, Chairman, and the Secretary read the minutes of a meeting held May 2nd, 1928 which were approved as read.

The Secretary read a letter from Randall H. Hagner & Company dated May 4, 1928 reiterating their position on the matter of changing the schedule of commissions and the rule in connection with solicitation and expressed the feeling that he should not resign from the Board because there were other members operating in other branches of the business on a basis in violation of the Board's rules.

After reading the letter Mr. Hagner amplified it somewhat and referred to the fact that some members were collecting rents for 3% and others making sales at 3%.

Mr. Pitts inquired if the 5% commission for the collection of rents was obligatory and after some discussion among the members on the question of cutting commissions the Secretary announced that the commission schedule as a whole was obligatory.

Mr. H. L. Rust presented the following resolution:

"WHEREAS, the Washington Real Estate Board, upon recommendation of its Mortgage & Finance Division, adopted on June 23rd, 1927 a definite schedule of commissions and certain rules of practice in handling mortgage loans, and

"WHEREAS, the said schedule of commissions and rules of practice have improved practices in this branch of the business, stabilized competition, created a better spirit of cooperation between members of the Board, and placed the mortgage loan business on a higher plane of dignity.

"NOW THEREFORE BE IT RESOLVED, that the members of the Mortgage and Finance Division in meeting assembled do hereby express their approval of the continuance of the schedule of commissions and rules of practice adopted June 23rd, 1927 and now in force and feels that any deviation therefrom would not be in the best interests of the Washington Real Estate Board, its members, or the public."

In suppose of this resolution Mr. Rust made a statement in which he indicated it was his opinion that the schedule of commissions and rules of practice now in force were working satisfactorily and should not be changed. He further stated that in order to bring something definite before the meeting he would move that the resolution be adopted. The motion was seconded by Mr. Saul.

Mr. E. Quincy Smith suggested that possibly someone might want to make a statement.

The Chairman opened the matter for discussion and invited any remarks. No one indicating a desire to speak, the motion was put by the Chairman and all in favor asked to rise. Everyone present at the meeting arose except representatives of Randall H. Hagner & Company and Anchor Realty Corporation. Upon direct inquiry the Anchor Realty Corporation stated they were not present except as an observer and did not desire to be registered as voting. When the negative vote was called Mr. Hagner arose, whereupon the Chair declared the resolution adopted.

Mr. Saul made a motion to adjourn which was seconded by Mr. E. Quincy Smith.

Mr. Flather, while recognizing the motion to adjourn had precedence, stated he would like to ask in reference to the rumored practice of cutting commissions in respect to the collection of rents which resulted in a somewhat general discussion of the subject.

Mr. Saul suggested that the Executive Committee take up the matter with the Property Management Division for the purpose of getting the different offices to adopt uniform practices in respect to various matters in which there was no definite uniformity, such as the payment of advertising and apartment house managers' salaries.

Mr. E. Quincy Smith stated he frequently hears of cutting rates and supposed violations of the Board's rules and made a strong plea that in all such instances the members should endeavor to obtain the facts in specific instances and present them to the Board for action.

This suggestion seemed to meet with the sympathy of the entire meeting, Mr. Flather stating he did not feel it was fair to jeopardize Mr. Hagner's membership in the Board if other members were violating rules.

Mr. E. Quincy Smith called attention to the motion to adjourn was put and carried and the meeting adjourned.

Respectfully submitted:

Secretary.

Approved:

G. C. Bowie,
Chairman.

Minutes of a meeting of an informal group of members called at the suggestion of Mr. B. F. Saul, Mr. Morton J. Luchs, Mr. Horace G. Smithy and Mr. H. L. Rust, held in the offices of the Board on Friday, July 13th, 1928 at 1:00 P. M.

Present: Messrs. B. F. Saul, Frank Bell, Mr. King of Sansbury Company, E. E. Goss of McKeever & Goss, C. A. Jones and Wallace Stoever of Shannon & Luchs, W. W. Trew and Claud Livingston of Wm. H. Saunders Company; H. Glenn Phelps of Boss & Phelps, B. Houston McCeney of Randall H. Hagner & Company, F. E. Middleton of Hedges & Middleton, J. F. M. Bowie and H. L. Rust of H. L. Rust Company, and James D. Hobbs and Mr. Burns of Wardman Construction Company.

Mr. Saul made an opening statement to the effect that he had asked various members of the Board to meet for the purpose of frankly discussing the proposition of maintaining the standard rate of five per cent for the collection of rents in accordance with the rules adopted by the Board.

Mr. Petty, suggested that this meeting was of an informal character and was not called by the board and further suggested in order to proceed orderly that someone volunteer to act as chairman or suggest someone to serve as chairman.

Mr. Rust suggested Mr. Saul. Mr. Saul suggested Mr. J. F. M. Bowie, chairman of the Property Management Division, to serve as chairman. Whereupon Mr. Bowie called the meeting to order and urged that all of the members frankly discuss the question of collecting rents for three per cent and hoped there could be a unanimous agreement among the offices represented at the meeting to commit themselves in respect to maintaining the five per cent schedule adopted by the Board.

Mr. Jones made inquiry as to whether the maximum of $100,000.00 on which members were permitted to collect rents for three per cent was understood to be the maximum rent of a single property or the maximum aggregate rent of various properties under one ownership.

Mr. Bowie promptly replied that the rule contemplated a reduction to three per cent only in individual properties that rented for $100,000.00 or more.

Mr. King, representing the N. L. Sansbury Company, said he had several three per cent cases in his office but all of them were cases where the owner paid all advertising charges.

Mr. Saul suggested that those who already had some properties on which they were collecting at three per cent be permitted to continue to collect those rents at three per cent provided they accepted no additional properties for less than five per cent, irrespective of whether or not the property was owned by the same party who owned property being handled at three per cent.

Mr. Phelps stated he had only two small houses, both of which were owned by his salesmen, which they are collecting at three per cent. In all of his other rents he charges five per cent plus cost of special advertising. Mr. Phelps suggested that this should be the basis for all offices except of course that advertising of rental lists as such should be paid by the broker and not attempted to be segregated against the owners of the various properties.

Mr. Rust stressed what in his opinion is the importance of the meaning of the term Property Manager. He felt that if brokers would really understand just what duties, services and responsibilities are assumed by the Property Manager it could be easily demonstrated that the broker earned his five per cent commission. He stated he was interested in educating the brokers in the proper management of properties and stated that owners will pay for the service without question.

Mr. Jones stated that in his mind there is no question but that five per cent commission is correct. He stated from a study of the records in his auditing system he knew positively that it was not profitable to collect rents for three per cent.

Mr. Hobbs stated his offices charges three per cent for their own properties but for all outside properties they charge five per cent.

Mr. Goss stated that his office was perfectly in sympathy with collecting rents for five per cent and quite recently he obtained a building at five per cent in competition where lower offers had been made. He further stated his office is perfectly willing to go along on the five per cent basis.

Mr. Trew, representing Wm. H. Saunders & Company, said his office refuses and has for many years to accept any properties at less than five per cent.

Mr. McCeney, representing Randall H. Hagner & Company, stated they had nothing in their office at three per cent which was less than $100,000.00 and

they have turned down buildings where they were offered at less than five per cent.

Mr. Middleton, representing Hedges & Middleton, stated he has some rents for three per cent but he is favorable to the five per cent rate and realizes that there is no profit in collecting at three per cent.

Mr. Jones made the statement that it appeared to be the sense of the meeting that the commission schedule of five per cent should be adhered to with the understanding that any office now collecting rents at three per cent be not interfered with, provided they accepted no additional properties at less than five per cent, and in view of this made a motion that the Property Management Division call a special meeting and invite every member of the Board to be present for the purpose of bringing to the attention of additional offices the attitude informally expressed at this meeting, and in this way eventually educate the membership to maintain a five per cent commission, which motion after being discussed was adopted. The understanding being that at this meeting to be called that various members present today would undertake personally to see that a considerable number of other offices not represented today be personally urged to come to the meeting.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY
Executive Secretary.

Approved:
J. F. M. Bowie
Chairman.

Minutes of a meeting of the Property Management Division held in the offices of the Board on July 23rd, 1928 at 2:00 P. M.

Present: Mr. B. F. Saul
Mr. F. Wallace Stoever, Shannon & Luchs, Inc.
Mr. Carr, Floyd E. Davis Co.
Mr. Metcalf—Thos J. Fisher & Co.
Mr. E. B. Shaver—Wm. H. Saunders & Co.
Mr. Horace G. Smithy—N. L. Sansbury Co.
Mr. Jos. D. Sullivan—Sullivan Bros.
Mr. Ishan—J. C. Weedon & Co., Inc.
Mr. Wm. R. Ellis
Mr. G. R. Linkins—George R. Linkins
Mr. J. B. Shapiro
Mr. J. F. M. Bowie—H. L. Rust Co.
Mr. Roger W. Eisinger—Am. Sec. & Tr. Co.
Mr. Hughes—Hedges & Middleton, Inc.
Mr. E. Stuart Poston
Mr. Dorsey—John F. Donohoe & Sons
Mr. Perry—W. H. West Co.
Mr. David E. Barry—David E. Barry
Mr. Boyd—Thos. E. Jarrell Co.
Mr. Offutt—M. & R. B. Warren
Mr. Asquith—W. H. West Co.
Mr. Chas. D. Sager.

Mr. J. F. M. Bowie, Chairman of the Property Management Division, presided.

In a brief statement Mr. Bowie outlined to the members the fact that an informal meeting had been held by various rental offices and stated it was the desire of that group to have the Property Management Division take a formal stand to discontinue the practice of accepting rents for less than five per cent and to gradually eliminate the rents now being collected by members at a lower rate than five per cent.

Somewhere during the discussion of the meeting the Secretary read the minutes of the informal meeting held by a group of members in the Board's office on Friday, July 13th, 1928, which minutes were verified as being correct by the Chairman.

Mr. Linkins stated that his office had no three per cent. rents.

Mr. Bowie stated that his office has had some rents at three per cent for a number of years.

Mr. Saul stated his office has no rents under five per cent and emphasized the fact that the purpose of the meeting was to have the members present agree to maintain the schedule of five per cent from now on, permitting such offices as may have rents on their books for less than five per cent continue, with the thought, however, that these rents would gradually be increased to five per cent as it was found possible and practical.

Mr. Linkins stated he was contemplating abolishing his rent department as such and establishing a leasing department for the purpose of merely securing the tenant, executing the lease or monthly agreement, collecting his cash commission and turning the property over to the owner. He stated he has come to this conclusion in the belief that there is no profit in collecting rents even at five per cent. He believed, however, that such offices as may be collecting rents for less than five percent be permitted to continue those rents until such time as they could be worked out.

Mr. Smithy stated his office has some rents at three per cent but that he does not propose to take others at less than five per cent as it is not profitable and that he intends to work out the three per cent rents he has as quickly as possible.

Mr. Linkins wanted to know the purpose of the meeting and how it came to be called.

Mr. Saul in answering explained the steps leading up to the meeting which began with an informal discussion he had with Mr. Luchs, Mr. Smithy and Mr. Rust and gradually increased in size until the meeting of July 13th which, by motion, requested a meeting of the Property Management Division.

Mr. Linkins stated in a general way that the Board had never accomplished anything in connection with enforcing rules and he wanted to know if this was the purpose of this meeting.

The Secretary explained to Mr. Linkins that there was sufficient machinery in the Board to enforce the rules but he and the other members had failed to file any complaint against anyone for violation of the rules.

Mr. Smithy and Mr. Saul both in answering Mr. Linkins stated that every member should be urged to report violations of rules to give the Board an opportunity to enforce the rules.

Mr. Jos. D. Sullivan stated he had no three per cent rents in his office but he thought in this meeting it was property to discuss the practice of charging commissions on repairs.

Mr. Barry stated he had no three per cent rents himself but he thought members who did have should be allowed to continue such until such time as they might work them out.

Mr. Sullivan asked what the attitude of the Board was in respect to charging commission on repairs.

The Secretary answered Mr. Sullivan by quoting the Code of Ethics which prohibits this practice.

Mr. Shapiro suggested that the discussion remain on the subject of five per cent commission schedule and put that through. While he stated he did not make any charge for commission on repairs he thought it should not be done.

Upon motion of Mr. Smithy the Chairman and Secretary were authorized to prepare a suitable resolution to send to the members of the Board, advising them of the names of the offices represented at the two meetings who had agreed to adhere to the regular standard commission rate of five per cent in the handling of rental properties and that from now on none of them would accept rents at a lower rate. The resolution was also to include a statement that those offices having rents on their books at a figure less than the standard rate of five per cent up to $100,000.00 be allowed to retain them with the understanding that they would gradually be worked out to a five per cent basis. The resolution was also to include reference to the fact that the Board's schedule provides that the owner be charged with all special advertisements as well as the salary of managers of apartment houses. Special reference was to be made to the fact that it was the duty of a member to report to the Board any violations of the rules coming to his attention.

Mr. Metcalf of Thos. J. Fisher Company, stated in his opinion it would be unwise in this communication to refer to the question of charging commission on repairs. However, after considerable discussion it was agreed that it should be incorporated in this special notice.

After considerable discussion, in which the consensus of opinion was definitely expressed in condemnation of the practice of charging commission on repairs, it was finally agreed that reference to this matter also be incorporated in the above resolution.

Mr. Carr of the office of Floyd E. Davis stated that until they moved to their northwest location they had never accepted any rents under five per cent but in leasing properties in the vicinity of their up-town office they were forced in competition to take rents at three per cent.

The further suggestion was made that in the special notice sent to the active members there be a special notation that it be passed around the office so that all members of the various firms and their employees might have notice of the resolution of this meeting.

Mr. Shaver suggested the creation of a special committee to investigate complaints which suggestion produced considerable discussion, the substance of which was that the Board was already organized to handle such matters and the creation of a new committee was deemed unnecessary unless suggested or directed by the Executive Committee.

Upon motion of Mr. Saul the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY
Executive Secretary.

Approved:
J. F. M. BOWIE
Chairman.

The following is a copy of the resolution sent to the active members of the Board.

WHEREAS, the schedule of commissions for the collection of rents and management of rental properties as adopted by the Washington Real Estate Board is five per cent on each individual property renting for less than $100,000.00 annually, and

WHEREAS, it is believed that adequate service cannot be rendered property owners profitably for a less rate, and

WHEREAS, it is detrimental to the interests of the property owners, individual members of the Board and the Board itself to have more than a single standard of charges, and

WHEREAS, it has been generally known that some rental properties have been accepted at a rate less than that set by the Board,

NOW THEREFORE BE IT RESOLVED that we, members of the Washington Real Estate Board, assembled in a meeting of the Property Management Division do hereby agree to rigidly adhere to and maintain the standard commission rate of five per cent for the collection of rents and management of properties and from this date will accept no properties at a lower rate, and

BE IT FURTHER RESOLVED that all members who now have on their books rental properties on a basis less that the standard commission of five per cent where the annual rent of such individual property is less than $100,000.00 be permitted to continue handling such properties without any interference, provided that they accept no additional properties at less than the standard rate and with the further understanding that such business now being handled at a lower rate will be gradually eliminated or increased to the proper rate as that is found practical by the individual members, and

BE IT FURTHER RESOLVED that it is the duty of every individual member of the Board to promptly report to the Board any and every instance coming to their attention wherein a member of the Board accepts rental properties for collection of rents or management at a rate less than the standard rate set by the Board, and

BE IT FURTHER RESOLVED that the provisions of the rules of the Property Management Division in respect to charging owners for all special advertising and salaries of apartment house managers be also rigidly adhered to, and

BE IT FURTHER RESOLVED that the practice of collecting commissions on repair bills, which is in direct violation of the Code of Ethics of the Board, is hereby condemned and that it is the duty of each member to report to the Board any violation of this provision of the Code of Ethics which may come to his attention.

The above resolutions were adopted as the result of two meetings at which the following offices were represented:

American Security & Trust Co.
Barry, David E.
Boss & Phelps
Davis Co., Floyd E.
Donohoe & Sons, John F.
Ellis, Wm. R.
Fisher & Co., Inc. Thos. J.
Hagner Co., Randall H.
Hedges & Middleton, Inc.
Jarrell Co., Thos. E.
Linkins, George W.
McKeever & Goss, Inc.
Poston Co., E. Stuart
Rust Co., H. L.
Sager, Chas. D.
Sansbury Co., Inc., N. L.
Saul Co., B. F.
Saunders Co., Inc., Wm. H.
Shannon & Luchs, Inc.
Shapiro Co., The Joseph
Sullivan Brothers
Wardman Construction Co., Inc.
Warren, Monroe & Robt. Bates
Weedon & Co., Inc., J. C.
West Co., W. H.

Adopted July 23, 1928.

(Signed) JOHN A. PETTY
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

Member of the National Association of Real Estate Boards

1417 K Street, N. W. Phone Main 4495

Washington, D. C.

John A. Petty

Executive Secretary and Treasurer.

Officers

W. C. Miller, Pres.
Ben T. Webster, Vice-Pres.
Jesse H. Hedges, Vice-Pres.
Lloyd F. Gaines, Chrm. Associate Division.

Executive Committee

The above officers and
A. C. Houghton.
Alfred H. Lawson
Claud Livingston
John F. Maury
Horace G. Smithy
Monroe Warren

Appraisal Committee.

Arthur Carr
Clarence Dodge
Harold E. Doyle
Wm. J. Flather, Jr.
J. Dallas Grady
Thos. E. Jarrell
F. Elliott Middleton

Associate Assistants.

Hugh E. Phillips
E. J. Kyle

S. N. Richards
Assistant Secretary.

July 25th, 1928.

SPECIAL NOTICE TO ACTIVE MEMBERS.

Subject: Maintaining Schedule of Rent Commissions.

Your special attention is invited to the enclosed set of resolutions adopted by the Property Management Division on Monday, July 23rd, 1928.

As this is an extremely important action you are urgently requested to bring these resolutions to the attention of your associates and employees in order that all may be acquainted with this constructive step to preserve our standard commission rates and to eliminate the practice of cutting commissions about which there has been so much complaint.

Respectfully,

J. F. M. Bowie,
Chairman,
Property Management Division.

WASHINGTON REAL ESTATE BOARD, Inc.

RESOLUTION.

WHEREAS, the schedule of commissions for the collection of rents and management of rental properties as adopted by the Washington Real Estate Board is five per cent on each individual property renting for less than $100,000.00 annually, and

WHEREAS, it is believed that adequate service cannot be rendered property owners profitably for a less rate, and

WHEREAS, it is detrimental to the interests of the property owners, individual members of the Board and the Board itself to have more than a single standard of charges, and

WHEREAS, it has been generally known that some rental properties have been accepted at a rate less than that set by the Board,

NOW THEREFORE BE IT RESOLVED that we, members of the Washington Real Estate Board, assembled in a meeting of the Property Management Division do hereby agree to rigidly adhere to and maintain the standard commission rate of five per cent for the collection of rents and management of properties and from this date will accept no properties at a lower rate, and

BE IT FURTHER RESOLVED that all members who now have on their books rental properties on a basis less than the standard commission of five per cent where the annual rent of each individual property is less than $100,000.00 be permitted to continue handling such properties without any interference, provided that they accept no additional properties at less than the standard rate and with the further understanding that such business now being handled at a lower rate will be gradually eliminated or increased to the proper rate as that is found practical by the individual members, and

BE IT FURTHER RESOLVED that it is the duty of every individual member of the Board to promptly report to the Board any and every instance coming to their attention wherein a member of the Board accepts rental properties for collection of rents or management at a rate less than the standard rate set by the Board, and

BE IT FURTHER RESOLVED that the provisions of the rules of the Property Management Division in respect to charging owners for all special advertising and salaries of apartment house managers be also rigidly adhered to, and

BE IT FURTHER RESOLVED that the practice of collecting commissions on repair bills, which is in direct violation of the Code of Ethics of the Board, is hereby condemned and that it is the duty of each member to report to the Board any violation of this provision of the Code of Ethics which may come to his attention.

The above resolutions were adopted as the result of two meetings at which the following offices were represented:

American Security & Trust Co.
Barry, David E.
Boss & Phelps
Davis Co., Floyd E.
Donohoe & Sons, John F.
Ellis, Wm. R.
Fisher & Co., Inc., Thos. J.
Hagner Co., Randall H.
Hedges & Middleton, Inc.
Jarrell Co., Thos. E.
Linkins, George W.
McKeever & Goss, Inc.
Poston Co., E. Stuart
Rust Co., H. L.
Sager, Chas. D.
Sanbury C., Inc., N. L.
Saul Co., B. F.
Saunders Co., Inc., Wm. H.
Shannon & Luchs, Inc.
Shapiro Co., The Joseph
Sullivan Brothers
Wardman Construction Co., Inc.
Warren, Monroe & Robert Bates
Weedon & Co., Inc., J. C.
West Co., W. H.

John A. Petty,
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

Member of the National Association of Real Estate Boards

1417 K Street, N. W. Phone Main 4495.

Washington, D. C.

James P. Schick
Assistant Secretary and Treasurer.

Officers:
John F. Maury, Pres.
Wm. C. Miller, Vice Pres.
Ben T. Webster, Vice Pres.
M. P. Canby, Chrm.
Associate Division.
Executive Committee.
The above officers and
Clarence F. Donohoe
Jesse H. Hedges
Claud Livingston.

S. N. Richards,
Assistant Secretary.

Appraisal Committee:
H. Clifford Bangs
G. Calvert Bowie
Arthur Carr
Clarence Dodge
Wm. J. Flather, Jr.
J. Dallas Grady
Wm. A. Hill.

Associate Assistants.
L. C. Leigh
Wm. M. Throckmorton.

December 1st, 1928.

NOTICE OF BOARD MEETING
Wardman Park Hotel
Friday, December 14th, 1928
8 o'clock, P. M.

A STRICTLY BUSINESS MEETING
OPEN TO MEMBERS ONLY.

The Executive Committee has recommended the adoption by the board of a new article to our By-Laws and also an addition to the property management section of our rules of practice, copies of which accompany this notice.

The meeting on December 14th is called for the purpose of acting on these recommendations of the Executive Committee.

Respectfully,
John A. Petty
Executive Secretary.

P:A

BUFFET SUPPER *CIGARS*

Add to the property management rules of practice the following:

No member shall rebate or refund any rent to any tenant unless such rebate or refund is specifically incorporated in the original lease or rental contract. No free rent for any period shall be granted any tenant by any member unless such free rent is completely described in the written lease or rental agreement.

Minutes of a meeting of the Mortgage & Finance Division held at the Carlton Hotel, Thursday, December 27th, 1928 at 2 P. M.

Present the following members: Messrs. Nesbit, Webster, Colbert, Houghton, Latimer, Martin R. West, Frank Bell, Maynard of E. Quincy Simth, Wells of Story & Co., Donohoe, Jos. Sullivan, James Sullivan, G. C. Bowie, Morris Shapiro, Deane of McKeever & Goss, Bore, Karl Jarrell, Jones of Weaver Bros., Sager, Kolb, B. F. Saul, and Weedon.

President Ben T. Webster called the meeting to order and in a brief opening statement requested the individual members to take the initiative in developing a proper program of activity for the division.

Mr. Petty, Executive Secretary, in a short talk outlined the purposes of the amendments recently adopted, giving the Mortgage & Finance Division definite status in the board and indicated that the members of the Mortgage & Finance Division have the opportunity of creating activities within the board that should be of benefit to every member.

The Secretary read a letter from Mr. George P. Sachs, Chairman of a special committee of the Montgomery County Civic Federation, requesting that his

committee be granted an audience with a committee of the board for the purpose of discussing the discrimination against the citizens of Montgomery County in respect to the loan commission rates adopted by the board.

After discussion the Chairman was authorized to appoint a committee of three to meet with Mr. Sachs and his committee and report back to the division the details upon which his committee based its approach.

No further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

Minutes of a meeting of the Advisory Committee of the Mortgage & Finance Committee held in the offices of the Board on Tuesday, January 8th, 1929, at 2:00 P. M.

Present: Messrs. G. Calvert Bowie, Frank Bell and E. Quincy Smith.

The only proposition presented to the meeting for consideration was the existing conditions in respect to the non-compliance of Randall H. Hagner & Company with the Board's schedule of commissions.

After considerable discussion and after Mr. Bowie had left the meeting for another appointment Mr. Smith and Mr. Bell were of the opinion that a meeting of the Division should be held to pass a set of resolutions re-affirming the commission schedule and interpreting the schedule of commission for making a new loan to include a case where a maturing loan is increased. It was also felt that the resolution should include a provision that it should be the obligation of every member to report to the Board any infraction or violation of the rules coming to his attention.

The meeting adjourned informally with the thought that the above idea could be crystalized in definite shape at the next meeting.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

1417 K Street N. W.

Washington, D. C.

Phone Main 4495

February 2nd, 1929.

Notice to Active Members
Meeting
Property Management Division
Wednesday, February 6, 1929
2 o'clock
in the Board's offices.

Subject: Tenants Information File.

This meeting is called to consider the enclosed report of the Advisory Committee relative to the establishment of a tenants information file.

Respectfully,

James McD. Shea,
Chairman.

February 2nd, 1929.

SPECIAL REPORT

Advisory Committee
of the
Property Management Division

Subject: Tenant Information File—Residential only.

Purpose: To establish and maintain in the offices of the board a complete list of all tenants renting from members of the board.

Realizing the responsibility of the property manager the plan is submitted for the two-fold purpose of emphasizing the importance of properly investigating prospective tenants and furnishing a means whereby the members of the board can obtain the utmost cooperation.

The record is to be kept on a 3 x 5 card, filed alphabetically under tenants' names with the information arranged as follows:

Doe, Richard B. machinist
908—10th St., S. E.—Weedon.

The tenants complete name and his place of employment or character of occupation, together with the address of the premises he now rents, and the agent from whom he rents is considered sufficient information to identify the tenant.

This file is to serve more as an index than a history of the tenant. When in operation a member calling the board would merely be told the name of the board member from whom the tenant last rented and information as to his record would be passed direct from member to member and not through the board.

To establish this file it will be necessary for every member of the board to furnish the board the above information about every one of his tenants on a given date. It has been suggested that every member be supplied with sufficient blank cards to have the information typed directly on the card which in turn will be filed in the board's office. This will avoid the necessity for duplication of work in first making a list and then having the list carded by the Board.

Assuming that this information was given as of March 1st, information in the file would necessarily date from March 1st and accumulated data would be added from that date.

Every member would be required to furnish the board with a card containing the above information for every new tenant he accepts after furnishing the initial list. The subsequent information will be posted on the original card in the board's file and if no previous report has been received on the particular tenant the card itself will be placed in the file as the beginning of the record of that particular tenant.

The members of the Advisory Committee believe that this file, which may contain from 50,000 to 100,000 cards, will prove of great value to property managers in the board in checking prospective tenants and as the years pass it should become increasingly valuable. However the expense and labor involved can not be justified unless there is efficient and consistent cooperation on the part of all members in promptly filing the original information and keeping it up to date. It is important also to know whether the members will actually use the file if installed.

With this thought in mind the Advisory Committee would not expect the Executive Committee to authorize the installation of this file unless all of the larger and important rental offices and a substantial portion of the smaller rental offices agree in writing in advance that they will not only furnish the initial information but agree to continue to furnish subsequent information promptly.

In order that this file might be used to its maximum advantage and efficiency an arrangement will be made to keep in the Board's office at all times a complete list of some properly designated person in each rental office from whom all other members may obtain correct and unbiased information.

At the meeting of the Division called to consider this matter every member will be invited to offer criticisms and suggestions and after a thorough discussion a vote will be taken. If the plan is adopted a special committee will be appointed to obtain the written agreement of individual members to furnish the information. This committee will then present the entire matter including a method of financing its cost to the Executive Committee for final action.

It is important to note that the cards furnished by members for the initial installation as well as the cards furnished from time to time in the future will be handled solely by the clerical staff of the board and that no member of the committee nor any member of the board shall at any time have access to the cards furnished by any member or the file itself. This rule will be strictly adhered to as is the information pertaining to appraisals and salesman's registry, and in this way every member can feel assured that the confidential aspect of the character and quantity of records furnished the board will be rigidly maintained.

Respectfully submitted:

Earl E. Goss,
Chairman.

Minutes of meeting of the Mortgage & Finance Division meeting held in the offices of the board, Tuesday, February 27th, 1929, at 2 p. m.

Present: Messrs. G. C. Bowie, B. F. Saul, E. Q. Smith, Frank Bell, W. L. King, Col. Deane, L. H. Colbert, Palmer Field, Wm J. Flather, Jr., Karl E. Jarrell, Fred T. Nesbit.

The meeting was called to order by Mr. Bowie, chairman, who stated that the purpose of the meeting was to consider the recommendation of the special committee in connection with the change in the schedule of loan commissions on properties beyond the limits of the District of Columbia. After considerable discussion paragraph No. 4 of the schedule of commissions was amended to read as follows:

"On all propeerty beyond the limits of the District of Columbia (excepting Montgomery County, Md.) increase the above schedule ½% throughout."

The Secretary suggested that the Mortgage & Finance Division meet at more frequent intervals for the discussion of the more intimate problems effecting members.

The Chairman asked if there were any matters to be brought up and there was some general discussion about the failure of certain members to live up to the rules of the board.

Upon motion of Mr. King it was suggested that the Advisory Committee make an investigation of certain violations of rules and report back to the division in three weeks time some concrete solution of the problem.

The Secretary called attention to the fact that the Bankers' Association was considering adopting a standard form of second trust note and suggested that a committee be appointed to work in conjunction with that organization to the end that a note approved by both organizations be adopted.

The Chairman appointed Wm. P. Benson as a special committee to meet with the Bankers' Association.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

Minutes of a meeting of the Mortgage & Finance Division held in the offices of the board on Monday, June 10th, 1929, at 11 A. M.

Present: C. F. Donohoe, R. H. Hagner, Fred T. Nesbit, Harry S. Welch, Ben T. Webster, J. C. Weedon, Jr., G. C. Bowie, L. E. Meany of Merchants Bank & Trust Co., Mr. Jacobs of Saul Co., H. Glenn Phelps, W. L. King, Mr. Linkins, Palmer Field and E. S. Handiboe of Hedges & Middleton, Claud Livingston, Frank Bell, C. A. Jones, Lee D. Latimer, John T. Meany, Wm. A. Hill, Martin R. West, Harry R. Loveless.

Mr. G. C. Bowie, chairman, presided.

The Secretary also outlined the reasons why a change in our mortgage foreclosure procedure would be unwise.

The Division also by unanimous vote recommended that the fradulent securities bill as drafted be approved by the board and also recommended that the Executive Committee take any necessary steps to oppose any change in our foreclosure procedure.

After the subject matter had been disposed of Mr. Linkins discussed the practice of the Washington newspapers carrying stories mentioning unfavorable weather conditions in Washington. Upon motion the division requested the Executive Committee to appoint a special committee to approach the newspapers in connection with this matter.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

Minutes of a meeting of the Mortgage & Finance Division held in the Ambassador Hotel on Thursday, December 12, 1929 at 2:00 P. M.

The following members were present:

Maj. Murray, Sandoz, Inc.
Geo. R. Linkins
Lee D. Latimer
Frank Bell, B. F. Saul Co.
L. E. Meany, Merchants Bank & Trust Co.
Jos. A. Herbert, Jr.
Harry R. Loveless
Fred T. Nesbit
Jos. D. Sullivan
Wm. L. King, Boss & Phelps
Jas. A. Sullivan
H. Latane Lewis
H. H. Carter
Mr. Murrau, N. L. Sansbury Co.
L. H. Brodie, Brodie & Colbert
Tom Lewis, H. L. Rust Co.
Mr. Russell, Jr., Perch H. Russell Co.
H. L. Rust
J. Leo Kolb
A. C. Houghton
Wm. J. Drew
R. Marbury Stamp
Col. Dean, McKeever & Goss.

Wm. L. King, Chairman, presided.

The meeting was opened with a few brief remarks from the chairman in which he expressed the hope that with the cooperation of the members a constructive program of activities would be carried through during the coming year.

The chairman then announced that there were two items to present to the Division which had been presented to the November meeting of the board by Mr. Harry S. Welch and referred to the Division. He called upon the Secretary to read the suggestions made by Mr. Welch. The Secretary read as follows:

That any member of this board be required by either the Secretary or the Executive Committee of this board to withdraw at once any advertisement now running in our local or out-of-town newspapers or any other publications offering to either make or place any loans on real estate without the payment of the commission prescribed by this board for such service or the renewing of any maturing loan on real estate without the payment of the commission prescribed by this board for such service. Failing to comply with this direction by any member of this board within ten days, the Secretary or Executive Committee of this board is authorized and directed to request such member to immediately resign from this board. In case any such member does not comply with either of these requests the Secretary or Executive Committee is directed to notify such member within twenty days after such requests, that they are dropped or suspended from this board. That all the actions herein mentioned and directed to be taken, are taken or complied with on or before thirty days from this meeting.

After reading the statement the Secretary said that the wording of the suggestion might involve a change in the by-laws and stated he had prepared a resolution which he felt would accomplish the purposes Mr. Welch intended to accomplish and read as follows:

"WHEREAS, any advertisement of any member offering to negotiate or make mortgage loans or the renewal thereof for no commission or a commission less than the standard schedule of commission rates for loans adopted by the Washington Real Estate Board, is in the judgment of the Mortgage & Finance Division a violation of the Code of Ethics subscribed to by all members.

"NOW THEREFORE BE IT RESOLVED that the Mortgage & Finance Division requests the Executive Committee of the Washington Real Estate Board to summons before it any member who shall use any such advertisement and proceed to exercise its authority under ARTICLE XII of the by-laws in censuring, suspending or expelling such member."

Mr. Joseph A. Herbert, Jr. moved that the resolution be adopted and the motion was seconded and after discussion the various members the resolution was finally adopted, Mr. Welch having indicated that the substitution was acceptable to him.

The Secretary read the second suggestion made by Mr. Welch which was as follows:

That no member of this board either entertain or accept an application for a real estate loan for less than the fixed and agreed commission of this board and that all such applications be in writing signed by the owner of the real estate offered as security for such loan or such application be in writing signed by the purchaser who has put up a deposit on said real estate. That the Realtor or Broker or party procuring said loan, may require of the party applying for such loan, after the approval or commitment of such loan, a sufficient deposit to cover the costs of title fees, and other incidental expenses connected with the negotiating or placing of said loan, and not less than one-half of the amount of the commission agreed to be paid for the procuring or placing of such loan.

The matter was discussed by various members and the suggestion was made that the form in which Mr. Welch had presented his ideas was not in shape for action on the part of the division and Mr. Welch was requested to present his ideas in a more definite form. After some further discussion the matter was passed over by the membership without any action.

There being no further business the meeting adjourned.

Respectfully:

(Sgd.) JOHN A. PETTY
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

Washington, D. C.

Alfred H. Lawson
President

John A. Petty
Executive Secretary-Treasurer

January 10th, 1930.

SPECIAL NOTICE
to
ACTIVE MEMBERS

The following resolution was adopted by the Mortgage & Finance Division on December 12th, 1929.

"WHEREAS, any advertisement of any member offering to negotiate or make mortgage loans or the renewal thereof for no commission or a commission less than the standard schedule of commission rates for loans adopted by the Washington Real Estate Board, is in the judgment of the Mortgage & Finance Division a violation of the code of ethics subscribed to by all members.

"NOW THEREFORE BE IT RESOLVED that the Mortgage & Finance Division requests the Executive Committee of the Washington Real Estate Board to summons before it any member who shall use any such advertisement and proceed to exercise its authority under ARTICLE XII of the by-laws in censuring, suspending or expelling such member."

At the meeting of the Executive Committee held January 8th this resolution was presented and I was instructed to send a copy of it to every member of the board with the statement that the Executive Committee was ready to perform its duty at any time in connection with the subject matter of the resolution.

Respectfully submitted:

John A. Petty,
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

Washington, D. C.

Alfred H. Lawson
President

John A. Petty
Executive Secretary-Treasurer.

January 11th, 1930.

SPECIAL NOTICE
to
ALL MEMBERS

The following resolution was adopted by the Executive Committee at its meeting held January 8th and your special attention and cooperation in connection therewith is requested:

WHEREAS, from time to time criticisms and comments are made by members among themselves to the effect that a certain member or members have or are violating the code of ethics or the rules of practice adopted by the board, and

WHEREAS, such criticisms and comments are often based on incomplete and inaccurate knowledge of facts and lead to rumors gradually exaggerated as they pass from one to another, and

WHEREAS, it is unfair to the member involved should he be innocent and should he be guilty it is unfair to all other members and the board itself to permit the rumors, criticisms or comments to circulate without proper investigation and action taken, and

WHEREAS, the by-laws of the board provide ample means to handle such matters with equal justice to all,

NOW THEREFORE BE IT RESOLVED, that the members of the Executive Committee of the Washington Real Estate Board in meeting assembled hereby urges every individual member of the board to bring to the attention of the Executive Committee through the Executive Secretary any information or facts indicating a violation of any of the board's rules of practice or its code of ethics by any member in order that the Executive Committee may take proper official action to maintain the high standards that have been adopted by the board.

Respectfully,

John A. Petty
Executive Secretary.

Minutes of a meeting of the Mortgage & Finance Division held in the Ambassador Hotel on Thursday, January 23, 1930.

In the absence from the city of the chairman, Mr. Wm. I. King, the vice-chairman, Mr. Fred T. Nesbit presided.

The following offices were represented: Fred T. Nesbit, Sandoz, Inc., Walter A. Brown, Harry S. Welch, B. F. Saul Company, Boss & Phelps, Jos. A. Herbert & Sons, Inc., H. L. Rust Company, Percy H. Russell Co., Inc., E. Quincy Smith, Inc., George W. Linkins, Inc., Washington Loan & Trust Company, Wm. J. Drew & Co., J. C. Weedon & Co., Inc., Brodie & Colbert.

The Chairman stated there were two resolutions which were to be presented by Mr. Welch but which he understood Mr. Welch had withdrawn.

Mr. Welch stated he must have been misunderstood as he did not wish to withdraw the resolutions but he would lay them aside temporarily.

The Chairman stated that Mr. Saul desired to make a statement and in view of the fact that Mr. Saul had an appointment the chair called on him. Whereupon Mr. Saul said while he had to leave at four o'clock he did not care to interrupt the program of the meeting.

Mr. E. Quincy Smith stated he had talked with various members of the division on a proposition to increase the commission for rentals ½ of 1% so that the charge for renewals would be the same as the rate allowed for original finished loans. He also stated he felt the services rendered in connection with renewals was sufficient in his opinion to justify this change in rate and he also

felt it would tend to relieve the situation in respect to non-compliance with the rules in respect to cutting commissions on new loans.

Mr. Saul spoke at some length on the suggestion made by Mr. Smith, indicating that in his opinion it was inadvisable to increase the rate on renewals as it might cause unsatisfactory comment at a time when Congress was considering legislation in respect to mortgage loans. He further stated that in his opinion it was impractical and that originally the rates for renewals was set lower than rates for original loans primarily to protect the business which members had on their books.

The matter was discussed briefly by other members and finally Mr. Smith stated that in view of the fact that apparently several of the important offices of the board were opposed to his suggestion that he would withdraw it.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

WASHINGTON REAL ESTATE BOARD
Washington, D. C.

Alfred H. Lawson
President

John A. Petty
Executive Secretary-Treasurer.

March 20th, 1930.

Report
of the
Property Management Division

FREE RENT

By unanimous action of the Division the members are reminded of the board's rule in connection with allowing free rent, paying bonuses, or any other money concessions as inducements to rent apartments except where such inducements are specifically mentioned in the written lease.

Respectfully,

Earl E. Goss,
Chairman.

Minutes of a meeting of the Property Management Division held in the offices of the board on May 12th, 1930 at 2:00 P. M.

Present: Messrs. F. A. Simon, Herman Metcalf, Earl E. Goss, F. Wallace Stoever, P. C. Bowie, Henry T. Gibson, Frank Bell, J. F. M. Bowie, J. McD. Shea, Linkins, and Donnelly & Plant.

Earl E. Goss, Chairman, presided.

Mr. Frank A. Simon brought to the attention of the members present the question of giving free rent in apartments and cited one instance where a circular letter had been issued offering free rent and moving expenses as an inducement to obtain tenants from other buildings.

After a general discussion participated in by most of the members present it was the consensus of opinion that conditions are steadily improving and that there was little or no giving of free rent by members of the board except in cases where they were forced to do so by pressure from owners and in such cases reference to the free rent was incorporated in the lease.

Upon motion of Mr. Bowie the Secretary was instructed to send a special notice to all of the active members, expressing the belief of the Property Management Division that conditions do not justify giving of free rent at this time and to call attention to the existing rule in connection with incorporating into leases a reference to any free rent given.

Upon the suggestion of Mr. Stoever the notice was to carry a special request that it be brought to the attention of all of the personnel in connection with the Property Management Department of the various offices.

The question of exclusive rent signs was brought up and after some discussion the Secretary was directed to request Mr. Linkins, Chairman of the special committee appointed to study this matter, to submit a final report at the next meeting of the division.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

Washington, D. C.

Alfred H. Lawson
President.

John A. Petty
Executive Secretary-Treasurer.

May 13th, 1930.

SPECIAL NOTICE
to
ACTIVE MEMBERS

Subject: Free Rent.

At a recent meeting of the Property Management Division the subject of giving free rent as an inducement to secure tenants was thoroughly discussed. It was the unanimous sentiment of the members present that the conditions at the present time do not justify the giving of free rent as an inducement to secure tenants.

The Secretary was instructed to convey this fact to the members of the board and also to call their attention to the rule adopted by the board which requires in cases where free rent is given that specific reference be made in the lease which the tenant obtaining such free rent should sign.

Kindly bring this notice to the attention of all the personnel in the Property Management Department of your office to the end that every individual contacting with tenants and owners of rental properties may be informed of the attitude of the Property Management Division as well as the rule of the Board in respect to this matter.

Respectfully,

John A. Petty
Executive Secretary.

Minutes of a meeting of the Property Management Division held in the offices of the board on Thursday, June 19th, 1930 at 2:00 P. M.

Present: Messrs. Earl E. Goss, Russell King, E. Stuart Poston, F. Wallace Stoever, Mr. Offutt of M. & R. B. Warren, Walter A. Brown, Jr., Mr. DuFief of Walter A. Brown, Loren M. Herbert, Frank Bell, P. C. Bowie, Henry T. Gibson and David E. Barry.

Mr. Goess, chairman of the division presided.

Minutes of meeting held May 12th were read and approved.

The chairman announced that the purpose of the meeting was to give the members an opportunity to discuss the question of restricting "For Rent" signs on rental properties to only one sign of one broker and to encourage and develop the practice of exclusive listings in handling rental properties.

The subject was thrown open for discussion which was participated in By Mr. Frank Bell, Russell King, David E. Barry, F. Wallace Stoever, P. C. Bowie and others.

The discussion developed the fact that it was the general practice among members to limit the management of apartment houses to one office and that other members now actually refrain from renting individual apartments in a building.

It was also developed that there was a rather general feeling that the handling of individual residences and two-family flats should be handled the same way as apartment buildings, namely that one broker should be responsible for the property. There was a feeling, however, that a rule making this an obligation on the part of the members should not be adopted. However there was rather strong sentiment that this principle in handling residential property should be developed.

There seemed to be a rather strong sentiment against attempting any restrictions in connection with the handling of business properties and particularly in respect to placing of more than one broker's sign on the property.

After a rather thorough and frank discussion, during which both viewpoints were developed it was agreed upon motion, duly seconded and carried, that the chairman discharge the committee appointed previously during the year to make a study of this matter and that he appoint a committee of three to make a further study and report back some definite recommendation to the division

at a later date. It was suggested that the chairman appoint on this committee members representing both viewpoints, in the hope that some compromise arrangement would be worked out.

Mr. Frank Bell brought up the question that the present schedule of rent commission provides 5% on buildings up to $100,000.00 and illustrated how buildings renting for $102,000.00 would actually produce less commission than those renting for less than $100,000.00. The statement of Mr. Bell brought forth a rather general discussion of the entire subject of rent commission and it was felt by some present that the business property schedule was very inadequate in many respects and it was further developed that in view of the changed conditions which have come about since the schedule was adopted in 1926 that it might be well to have the full schedule thoroughly studied for the purpose of making such revisions, additions and amendments as may seem wise and proper. With this thought in mind upon motion the chairman was authorized to appoint two special committees consisting of two members each, one to make a special study of the residential rent schedule and the other to make a special study of the business property rent schedule.

It was suggested that before the committee undertook its work that a special notice be sent to all members of the board, inviting their suggestions as to changes in the schedule which to them may seem wise or necessary.

After a brief informal discussion of several minor matters upon motion the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

WASHINGTON REAL ESTATE BOARD

Washington, D. C.

Alfred H. Lawson
President

John A. Petty
Executive Secretary-Treasurer

September 13th, 1930.

SPECIAL NOTICE

BOARD MEETING, FRIDAY, SEPTEMBER 19th.

This is a closed business meeting at which no newspaper men or other guests will be present. The proposed amendments to the by-laws will be voted on. These amendments are designed to strengthen the organization and to provide means of having a much larger number of members participating in the affairs of the board.

You are urged to be present.

Respectfully submitted:

John A. Petty
Executive Secretary.

APARTMENT VACANCY SURVEY COMPLETED

A vacancy of 7.80% is disclosed in the survey just completed by the Washington Real Estate Board which embraced the study of 856 apartment houses containing a total of 22,638 apartment units. The percentage of vacancy shown is 0.7% higher than that shown in the survey sponsored by the Operative Builders Association in November, 1930. However the survey just completed included 7,242 more apartment units than were included in the 1930 survey.

The Board's survey covers 59% of the total number of apartment units in the District of Columbia which the Assessor estimates as 38,330, whereas the 1930 survey covered only 38%.

The percentage of vacancy reported in previous surveys sponsored by the Operative Builders Association showed 7.1% in 1930, 9.9% in 1929, and 10.9% in 1928.

Analyzing the survey by classification as to size of units it shows units of one room, kitchen and bath as having the lowest vacancy percentage with 4.86%, while units of over four rooms have the highest percentage of vacancy reaching 14.89%.

The following table shows the total number of units classified as to size with the vacancy percentage of each indicated.

	Vacant	Rented	Total	Percentage of vacancy
1 Room and Bath	63	904	967	6.51%
1 Room, Kitchen and Bath	250	4,885	5,135	4.86%
2 Rooms, Kitchen and Bath	718	8,276	8,994	7.98%
3 Rooms, Kitchen and Bath	371	3,827	4,198	8.83%
4 Rooms, Kitchen and Bath	190	1,979	2,169	8.75%
Over 4 Rooms, Kitchen and Bath	175	1,000	1,175	14.89%
Totals	1,767	20,871	22,638	7.80%

The information upon which this survey is based was furnished by members of this Board, real estate agents, apartment house owners, estates and others controlling the management of apartment buildings.

Minutes of a meeting of the Board of Directors held in the offices of the board on Wednesday, November 19th, 1930 at 11 A. M.

Present: Messrs. Carr, Bowie, Story, Flather, Livingston, Russell, Mackintosh, Jones, Beale, Middleton and Smith.

Absent: Messrs. Donohoe, Hill, Herbert and Bangs.

Committee appointments for the year were approved by the Board of Directors as follows:

Property Management Committee

Russell King, Chairman
F. L. Sandoz
Jas. McD. Shea
Edw. C. Perry
B. H. Parker

Mortgage & Finance Committee

Martin R. West, Chairman
Frank Bell
Wm. L. King
Fred T. Nesbit
E. Quincy Smith

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY
Executive Secretary.

Approved:
(Signed) Arthur Carr
President.

Minutes of a meeting of the Property Management Committee held in the offices of the board on Thursday, January 8th, 1931, at 2 P. M.

Present: Messrs. King, Bowie, Shea, and Parker.

Absent: Mr. Sandoz.

The Secretary stated that the meeting was called for the purpose of completing arrangements of a program for the Property Management luncheon conference to be held tomorrow, January 9th.

After some discussion it was decided that Mr. J. F. M. Bowie would act as discussion leader at the conference, making a brief statement about apartment house rentals at the present time and to call on four or five other members to ask them to comment on the condition of the rental situation in their office.

It was believed by the committee that this discussion would bring forth the fact that vacancies in apartments had materially reduced and that the situation was very satisfactory.

It was further agreed that Mr. Bowie would outline to the meeting some thoughts in connection with revision of the property management schedule of commissions which work the committee would actively take up in the near future.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

Approved:
Chairman.

Minutes of the luncheon conference held under the auspices of the Property Management Committee at the Hamilton Hotel, January 9th, 1931 at 12.30 P. M.

Present: Austin M. Waller, John R. Waller and Thos. B. Lawler of International Bank, W. L. King of Boss & Phelps, Frank Bell of B. F. Saul, Mr. Heisel of Cafritz, Edw. Brent of Boss & Phelps, Walter A. Romer of Geo. R. Linkins Co., J. R. Schwab of Schwab, Valk & Canby, George I. Borger of James F. Shea, Benj. H. Parker, Mr. Schwab of Eugene A. Smith Co., Jos. A. Herbert, Jr., F. Wallace Stoever of Shannon & Luchs, Mr. Gordon and J. Lee Donnally of Donnelly & Plant, Claud Livingston and W. W. Trew of Wm. H. Sauders Co., Mr. Gilbert and Mr. James McD. Shea, R. E. Pogue of Thos. J. Fisher Co., Homer Phillips and M. P. Canby of Phillips and Canby, Wm. R. Ellis, J. F. M. Bowie of Rust Co., Russell B. King of H. G. Smithy Co., and Ralph H. Bangs, J. Leo. Kolb, R E. Sickle with Arthur Carr and W. C. Miller.

Mr. Russell King, Chairman, presided.

Secretary outline the purpose of the various luncheon conferences to be held by the board and stated that the fundamental reasons were to get the membership together in more frequent contact in small groups, to discuss practical problems dealing with the various branches of the real estate business and to submit matters for the consideration of the various major committees.

Mr. J. F. M. Bowie was designated as discussion leader and the meeting was turned over to Mr. Bowie who in a brief talk analyzed the vacancy survey report about to be published by Rufus Lusk.

The following members were called on for informal statements: Frank Bell, R. E. Pogue, James McD. Shea, Russell King and F. Wallace Stoever.

The substance of the reports given by these men was that the vacancy situation in apartments had rendered materially and that conditions today were such as to make it unnecessary to resort to free rent, unusual repairs and other practices in order to secure tenants. The consensus of opinion of the members present was that the rental situation was well in hand and that the level of rents were stabilized and that there was little indication that further reduction in rents would be required.

Mr. Borger, Mr. Parker and Mr. Jos. A. Herbert spoke briefly on the problem of renting houses and the substance of these remarks was that houses in good repair would not remain vacant under present conditions and that only those houses which were not in good repair were vacant.

Mr. Bowie announced that the Property Management Committee was going to undertake a study of the rental schedule of commissions for the purpose of making necessary revisions and clarifying some of the rules which had been adopted some years ago. In connection with this work he asked the members to submit any suggestions they may have.

Mr. Frank Bell suggested that consideration be given to adopting an understanding whereby there will only be one For Rent sign used on rental properties, thus practically applying to property management the principle of exclusive agency used in the sale of properties.

Mr. King announced the apointment of the following special committee to study the suggestion of Mr. Bell and to report to the Property Management Committee:

The special committee appointed consists of Benj. H. Parker, J. Leo Kolb, F. Wallace Stoever and Frank Bell.

There being no further business the meeting adjourned promptly at 1:30.

Respectfully submitted:

(Signed) JOHN A. PETTY
Executive Secretary.

WASHINGTON REAL ESTATE BOARD.
Washington, D. C.

Arthur Carr
President.

John A. Petty
Executive Secretary-Treasurer

January 10th, 1931.

Revision of Rent Commissions and Rules.

The Property Management Committee and the Business Property Leasing Committee are about to undertake a study of the schedule of rental commissions for the purpose of making such changes as experience during the past five years seem to warrant and to clarify the language throughout the entire schedule.

With this in mind each member is requested to carefully read the enclosed rent schedule and to submit promptly to the board any ideas, suggestions or comments which will help these two committees in perfecting the schedule.

Exclusive Agency in Property Management.

At the next luncheon conference under the auspices of the Property Management Committee the above topic will be discussed. In the meantime members who have any definite ideas in favor or in opposition to the restriction of rent signs to that of only one agent, thus establishing in principle the practice of exclusive agency in property management similar to the practice of exclusive agency in the sale of properties, are especially requested to send in their written comment for the information and guidance of the Property Management Committee and for presentation to the members at the next luncheon conference.

RENTAL SECTION

SCHEDULE OF COMMISSIONS.

APARTMENT & DWELLINGS: 5% commission on all apartments and dwellings where the annual rental does not exceed $100,000. for each property.

Owners of rental property shall pay for Resident Manager, special advertising and booklets, but agent shall pay for the usual classified advertisements.

No division of commission on dwellings renting for less than $100.00 per month and no division of commission on apartments. No division of commission to other than licensed brokers.

On dwellings renting for more than $100.00 per month commission to be divided on basis of first month's commission to be paid to broker securing tenant on a monthly tenancy or on a lease for less than six months. On leases for six months or longer where leases provide for property management agency during the term of lease, division of commission shall be 1½% to broker securing tenant and 3½% to broker managing property.

If owner collects rent or takes property away after lease or monthly agreement is executed, 2½% commission shall be paid on the unexpired term of the lease, payable in advance, providing lease is for a period of two years or more. If for less term, commission shall be one-half of one month's rent in addition to commissions already collected.

No division of commission on renewals or options of renewal.

When a new apartment building is opened and rented by one broker and turned over to some one else prior to the expiration of one year, the broker releasing said property shall be paid a commission of 5% on the rents already collected, and a commission of 2½% on the apartments rented, on the unexpired term of a one year period.

Cooperative apartments—there shall be a fee for the management of the Corporation property of 5% on the estimated gross yearly rental, and a commission of 5% for the management of any apartments rented for the owners.

BUSINESS PROPERTY: 5% commission on all business property rentals.

If owner collects rent or takes property away after lease or monthly agreement is executed, 2½% commission shall be paid on unexpired term of lease,

payable in advance, providing lease is for a period of two years or more. If for less term, commission shall be one-half of one month's rent, in addition to commission already collected.

No division of commission unless property rents for $100.00 or more.

Where there is a store and apartment or other rental property together, commission shall be divided 1½% to the broker securing the tenant and 3½% to agent having management of the property.

Commission payable as collected.

Where one broker obtains tenant and another broker is agent for the property, the broker obtaining the tenant shall be paid no commission on option or renewal of lease.

Minimum fee of $1.00 to be paid on all rentals under $20.00 per month.

For the sale of a lease the charge shall be 10% of the price plus one-half of the regular commission for remainder of the term. Such charge being payable in full upon transfer of lease.

Should there be a clause in the lease giving the lessee an option to purchase the property leased, whether or not the purchase is made exactly on the terms named in the lease, the owner shall pay the broker who negotiated such lease, the rates established by this board for selling real estate, provided such sale is made.

The charge for the sale of a going business, including stock, fixtures or equipment shall be 10% on the first $1,000.00 and 5% on the balance.

WASHINGTON REAL ESTATE BOARD.

Arthur Carr
President.

John A. Petty
Executive Secretary-Treasurer.

April 3rd, 1931.

SPECIAL NOTICE
to
ACTIVE MEMBERS

Subject: Adoption of revised Schedule of Commissions Leasing and Property Management.

At the meeting of the board to be held in the Mayflower Hotel on the evening of Friday, April 17th, 1931, the final revision of the schedule of commissions in leasing and property management will be submitted for ratification.

This revised schedule represents the result of several months' study by both the Business Property Leasing Committee and the Property Management Committee. It is felt that this revision is an improvement over the existing schedules, both in respect to language and clarity.

At a later date the schedule of commissions for mortgages, sales and exchanges will be revised in the same manner and when this work is completed the entire schedule will be printed and distributed among the members.

Respectfully,

John A. Petty
Executive Secretary.

LEASING AND PROPERTY MANAGEMENT

Schedule of Commissions

Business Properties.

1. The commission for collection of rents and property management for all types of business properties shall be 5% of the gross rent payable as the rent is collected.

Schedules of Commissions

Residential Properties.

18. The commission for collection of rents and property management in all types of residential properties, both furnished and unfurnished, shall be 5% of the gross rent, payable as collected, except where the gross annual rental of an individual property exceeds $100,000.00, when in such cases the commission shall be subject to agreement.

19. Minimum commission on all rentals under $20.00 per month shall be $1.00.

20. If at any time the collection of rents of residential properties (except in cases of new apartment buildings covered in paragraph 21) be withdrawn from the broker he shall be paid in cash in addition to the commission he has previously collected, as follows:

a. For monthly tenancies or where the lease is for less than two years, a sum which when added to commissions already collected shall equal one-half month's rent.

b. Where the lease is for a term of two years or longer, a sum equal to 2½% of the gross rent for the remainder of the lease.

21. If at any time during the first year, the collection of rents or property management, in the case of a new apartment house, is withdrawn from the broker he shall be paid in cash in addition to the commissions previously collected, 2½ of the gross rent for the remainder of the unexpired period of one year from the date of tenancy on all apartments rented by him.

22. The commission for managing a cooperative apartment building shall be 5% of the estimated gross annual rent, with an additional commission charged the individual owners for the collection of rent and management of individually rented apartment units at the rate of 5% of the gross rentals of such units.

23. Owners of apartment buildings shall pay the salary of resident managers, all display and special classified advertising and booklets.

24. The commission for securing a tenant or negotiating a lease, where the broker does not collect the rent nor manage the property, shall be one-half of the first month's rent in cases of monthly tenancies or where the lease is for a term of less than two years.

25. In leases for two years or more, where the broker does not collect the rent nor manage the property, the commission for securing the tenant or negotiating the lease shall be 2½% of the gross rent for the entire term of the lease.

26. The commissions set out in the two above paragraphs are payable in cash at the time of securing the tenant or consummating the lease.

27. The cost of making and checking inventories in furnished properties shall be paid by the owner.

COMMISSION SCHEDULES APPROVED

At the board meeting held April 17th the revised schedule of commissions for leasing and property management, which had previously been submitted to the membership, was unanimously adopted with the following amendments:

Paragraph 7 was amended to read as follows: "All of the above schedule of commissions shall also apply in all renewals of leases."

A new paragraph proposed by Mr. George R. Linkins was added as follows: "Paragraph 35. The Commissions outlined in the schedules for leasing and property management cover the full compensation to brokers, and any commissions, rebates, discounts, and/or allowances made or received on or from any and all purchases, repairs or services chargeable against any and all properties so leased or managed, belong to the owners thereof and shall be credited on the rental statements."

Our code of ethics has always contained a rule covering the subject matter contained in Paragraph 35; nevertheless the new paragraph was included in the commission schedule.

A revision of the mortgage and finance schedule of commissions is now being prepared and a revision of the sale and exchange commissions will shortly follow. When all of the commission schedules are finally revised they will be printed in pamphlet form for distribution among the members.

Minutes of meeting of the Mortgage & Finance Committee held in the offices of the board Tuesday, May 5th, 1931, at 11 o'clock.

Present: Messrs. Martin R. West, Wilmot W. Trow, Fred T. Nesbit, Wm. L. King, Frank Bell, E. Quincy Smith.

Mr. Martin R. West, chairman, presided.

The chairman called the meeting to order and the Secretary read the various communications he had received from members in connection with the

revised schedule of commissions which he had prepared and sent to members engaged in the mortgage loan business.

After some discussion the revised schedule prepared by the Secretary was approved with the following changes:

Insert the word "Minimum" in the title so that it will read "Schedule of Minimum Commissions".

Change the word "shall" to "may" in both paragraphs 8 and 9.

The approval of the revised schedule also included the transfer to the Code of Ethics or Rules of Practice the paragraph dealing with soliciting of maturing loans.

In view of the fact that this revision did not change any principle or rate but merely revised the language to make it more suitable for publication the committee felt that it was not necessary to submit the matter to the entire board and recommended that the Board of Directors authorize the printing of this revised schedule together with the other commission schedules when printed.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

Minutes of a meeting of the Board of Directors held in the offices of the board on Wednesday, May 20th, 1931 at 11:00 A. M.

Present: Messrs. Middleton, Bangs, Russell, Beale, Bowie, Carr, Smith, Livingston and Herbert.

Absent: Messrs. Flather, Mackintosh, Jones, Hill, Donohoe and Story.

Meeting of meeting held April 15th were read and approved.

Secretary submitted a request from the Mortgage & Finance Committee that the Directors formally approve the revision of the Mortgage & Finance schedule of commissions which had been approved by the Mortgage & Finance Committee. It was pointed out that in this revision there was no change of principle, rate of commission or practices in respect to division of commission. The revision consisted solely of a realignment of the paragraphs and revision of the language in order that it might be in better shape for printing.

Upon motion the Directors authorized the revised schedule to be used and eventually printed without reference to the full board.

Respectfully submitted:

(Signed) JOHN A. PETTY
Executive Secretary.

Approved:
(Signed) ARTHUR CARR
President.

Minutes of meeting of Board of Directors held Wednesday, June 17th, 1931, at 11 A. M.

Present Messrs. Carr, Beale, Bowie, Russell, Herbert, Story, Bangs, Smith.

Absent: Messrs. Jones, Livingston, Mackintosh, Middleton, Donohoe, Hill, Flather.

Minutes of meetings held May 20th and May 26th were read and approved.

Secretary also reported that the Property Management Committee at the request of the Board of Directors had considered the paragraph in the residential property management schedule dealing with cooperative apartments and made the suggestion that the Board of Directors informally approve amending this paragraph to read "minimum fee" instead of commission and that the fee be based on the gross rental as "estimated by the owner". After some discussion the Directors were of the opinion that this amendment would not meet the situation and upon motion the matter was referred back to the Property Management Committee with instructions that Mr. Jack Bowie appear before the committee and explain the purpose which the Board of Directors had in mind in referring the matter to it.

Secretary reported that Dr. Cline N. Chipman had phoned the office to inquire if it was unethical for a real estate agent to charge commission on repairs made in connection with properties under his management. Dr. Chipman refused to give the name of the broker in the instance he discussed. The Secretary was authorized to refer to the matter in the next issue of the Washington REALTOR.

Mr. E. Quincy Smith stated he intended bringing to the attention of the Directors at the next meeting the question as to whether or not the loan commission schedule permitted a member to make an apartment house loan at 6% interest without commission.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY
Executive Secretary.

Approved:
(Signed) Arthur Carr
President.

Minutes of a meeting of the Board of Directors held in the offices of the board on Wednesday, July 15th, 1931 at 11:00 A. M.

Present: Messrs. Carr, Bowie, Beale, Jones, Smith, Russell, Flather, Herbert and Livingston.

Absent: Messrs. Story, Donohoe, Hill, Middleton, Bangs and Mackintosh.

Minutes of meeting held June 17th were read and approved.

Secretary reported that the question brought up by Mr. E. Quincy Smith at a previous meeting in connection with the rules in respect to making 6% loans without commission had been adjusted to Mr. Smith's satisfaction by the exchange of letters between the interested parties.

Secretary reported that the Property Management Committee had unanimously requested the Board of Directors to informally approve a change in language of Section 22 of the residential rent commission schedule dealing with cooperative apartments without the necessity of bringing the matter before the full board as the change merely clarified and interpreted the meaning of the section and was of no particular interest to more than one or two members who were present at the meeting of the Property Management Committee and who had agreed to the change.

Upon motion the Board of Directors unanimously decided that the Secretary could change the wording of Section 22 to read as follows:

"22. The minimum fee for managing a cooperative apartment building shall be 5% of the gross annual rent as estimated by the owner without limitations as to amount of gross annual rental, with an additional commission charged the individual owners for the collection of rent and management of individually rented apartment units at the rate of 5% of the gross rental of such units."

There being no further business the meeting adjourned.

Respectfully submitted,

(Signed) JOHN A. PETTY
Executive Secretary.

Approved:
(Signed) ARTHUR CARR
President.

Minutes of meeting of the Board of Directors held in the offices of the board Wednesday, August 19th, 1931, at 11 A. M.

Present: Messrs. Carr, Smith, Herbert, Story, Livingston, Bowie.

Absent: Messrs. Bangs, Macintosh, Beale, Flather, Donohoe, Jones, Middleton, Russell and Hill.

Minutes of meeting held July 15th were read and approved.

At the suggestion of the Secretary the Board of Directors informally approved the following language for use in printing the revised schedule of commissions and felt that in view of the fact that no principle or policy was changed that the Secretary could proceed with the printing without reference to the full board.

Sales

The commission of all sales of real estate in Cleveland Park, Saul's Addition, Chevy Chase, Bradley Hills, Brightwood, Takoma Park, Brookland and similar vicinities shall be 5% of the sale price.

The commission on all sales of real estate in city area shall be 5% on the first $5,000.00 of sale price with an additional 3% on the excess above $5,000.00.

Minimum commission for any sale $50.00.

Exchanges

In the exchange of real estate a commission shall be charged each owner at the rate of 2½% of the exchange price of the lower valued property, with an additional charge against the owner of the higher valued property for the excess at the rate of 3% if located in city area, and 5% if located in suburban area.

The minimum commission for any exchange $100.00 each side.

The exact line dividing five per cent area from five and three per cent area as adopted by the board is shown on the official commission zone map in the board's office.

No further business the meeting adjourned.

Respectfully submitted:

(Signed) JOHN A. PETTY,
Executive Secretary.

Approved:
President.

Minutes of a meeting of the Executive Committee held in the offices of the board on Friday, September 9th, 1932 at 10:30 A. M.

Present: Messrs. Bowie, Beale, Flather and Canby.

Absent: Mr. Russell.

Present also at the meeting were Mr. H. G. Smithy and Mr. James McD. Shea.

The President stated that a great many members had informed him it seems to be the practice of two judges in the Municipal Court to grant judgments in cases of non-payment of rent, with a stay of execution varying from three days to fifteen days, Judges Kolb and Mattingly being the most lenient.

The President was instructed to discuss the matter with Roger J. Whiteford, attorney for the board, with a view to having Mr. Whiteford talk informally with the judges of the Municipal Court.

There being no further business the meeting adjourned.

Respectfully submitted:

(Signed) S. N. RICHARDS
Assistant Secretary.

Approved:
(Signed) J. F. M. BOWIE
President.

Minutes of a meeting of the Vigilance Committee held in the Board rooms Wednesday, November 15 at 4 P. M.

Present: Messrs. Barry, W. L. King, Heinzmann and A. A. King.

Absent: Mr. Quinn.

Mr. Clarence Dodge was also present.

Secretary outlined the work that was to be accomplished by the Vigilance Committee and laid particular stress on the fact that the members should be consistently reminded to use the word "Realtor" or the phrase "Members Washington Real Estate Board" in their advertising.

Upon motion of Mr. Barry, the committee adopted the following resolution and recommended that the Board adopt it at its meeting November 16:

"WHEREAS, The Washington Real Estate Board is making every serious effort to elevate the practice of real estate in the District of Columbia, and,

"WHEREAS, The Vigilance Committee feels that the practice of using in box office advertisements such statements as "No agents or brokers need apply" is undignified and tends to discredit the real estate profession.

"NOW, THEREFORE, BE IT RESOLVED, that the members of the Washington Real Estate Board in meeting assembled do hereby condemn such practice and pledge the Vigilance Committee their cooperation in preventing such statements being used in the future."

For the purpose of distributing the work as regards watching the newspapers, Mr. W. L. King agreed to take the Star, Mr. A. A. King, the Post, Mr. Heinzmann, the Times, and Mr. Barry the Herald.

No further business, the meeting adjourned.

Respectfully submitted,

(Signed) JOHN A. PETTY,
Executive Secretary.

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RENTS IN THE DISTRICT OF COLUMBIA

SATURDAY, DECEMBER 17, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to the call of the chairman, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present, Senators Capper (presiding), Kean, King, and Copeland.

Present also, O. H. Brinkman, Esq., counsel on behalf of the committee.

Present also, Roger J. Whiteford, Esq., counsel for the Washington Real Estate Board.

The CHAIRMAN. For the purpose of completing the record I think we ought to print the resolution which I introduced on the 13th instant and which was agreed to by the Senate yesterday continuing the authority of the committee until January 10, 1933.

The resolution (S. Res. 302), agreed to by the Senate on December 16, 1932, is as follows:

[S. Res. 302, Seventy-second Congress, second session]

RESOLUTION

Resolved, That Senate Resolution Numbered 248, agreed to June 27, 1932, authorizing and directing the Committee on the District of Columbia, or a duly authorized subcommittee thereof, to investigate rental conditions in said District of Columbia and to report the results of same, with recommendations, to the Senate not later than December 15, 1932, hereby is continued and extended in full force and effect until January 10, 1933.

The CHAIRMAN. The committee meets to-day to consider the report to be made by its counsel, Mr. Brinkman, with the understanding that there are to be representatives of the Real Estate Board present with the right to ask questions or make a statement as to any part of the report in which they may be interested.

Senator KEAN. What about beginning with the recommendations at No. 1 and going right through the findings and recommendations?

Mr. BRINKMAN. I shall be glad to do that, but I would like to make a preliminary statement.

Senator KEAN. Very well.

STATEMENT OF O. H. BRINKMAN

Mr. BRINKMAN. I have submitted to the chairman of the committee a report embodying certain facts and certain conclusions of my own. I have expressly said in that report that the conclusions

are merely my own and that the committee of course is not bound by them. They are conclusions which I have reached after studying the situation for a period of over four months and are supported in the report by various facts. However, some of the facts are not in the hearings; that is, those facts were gathered by questioning privately real estate agents, owners, or tenants; and also I have received certain reports in response to a questionnaire sent out by the committee. Those reports have not been made a part of the hearings but are in the files of the committee, and while I have left them in my office this morning they can be brought down at any time the committee wants to go into any particular matter or secure the actual facts on any particular matter. Those facts can be developed from the files of the committee or by bringing before the committee certain witnesses.

At the last meeting of the committee it was decided to expedite the work by simply permitting me to submit a report. If the committee wants to examine witnesses, that could be done; but it would take some days. However, if the committee prints the report and there is any objection on the part of any witness or anyone else to any statement made in it, that matter can be thrashed out in a hearing. I suggest that might be done or the committee can go through the report first.

Senator KEAN. The committee files ought to contain all the answers to these questionnaires.

Mr. BRINKMAN. They do.

Senator KEAN. We ought to have all the evidence so we can get at it.

Mr. BRINKMAN. I will have the files brought down here if the committee desires. They are arranged so access can be readily had to everything.

Senator KING. Any conclusions which you have submitted in your report, Mr. Brinkman, which are based upon information which you have obtained and which is not in the record, it seems to me in all fairness not only to the committee but to the parties who have been investigated, should be brought into the record in some form so that if those conclusions are adverse to the real-estate men or any other persons they may have and ought to have an opportunity to meet the same. In other words, if you have taken testimony which is not in the record and that testimony forms the basis for some of your conclusions and findings, obviously the committee would not know whether the evidence warranted your conclusions and findings. If those conclusions and findings were against any person or persons or organization, it might be unfair not to give them an opportunity to meet those conclusions and findings. In order to do so, they would have to know what evidence you had received.

Mr. BRINKMAN. I agree with you, and the only way I see that that can be done is to print my report as a part of the hearings just as a report to the committee, without acceptance by the committee of the conclusions or the facts stated, and then fix a day on which anyone who objects to the statements or the conclusions can come before the committee and be examined.

Senator COPELAND. Before we convened formally this morning I had stated to Senators who were present that I have not read all

of this report but I have read 20 or 30 of the conclusions which are printed here. I stated then and repeat now that many of these conclusions are apparently founded on evidence which I have never heard. It seems to me that the record ought to have that evidence. At the last meeting of the committee which I attended I made a motion which was agreed to that counsel be requested to insert in the printed record such material as he wished to bear out the conclusions which he has since made, because frankly at the present moment I would say there are a number of conclusions here for which no reason is apparent, but it must exist and we must get it before us in some way. That is what the Senator has in mind, I take it?

Senator KING. Yes. Do you think it would be entirely fair, Mr. Brinkman—and I express no opinion—to print your report, which of course has some validity and some authenticity, some part of your report being founded upon testimony not in the record? In other words, would not your report, if printed, convey erroneous impressions assuming that some of the conclusions and findings are not based upon testimony or are based upon testimony which might be controverted? In other words, before your report is filed, inasmuch as your report contains findings of fact and conclusions, ought not all the evidence upon which you base your findings and your report to be submitted and opportunity given to persons who might be affected by your findings and report to negative, if they can, such findings and such conclusions?

We could not afford, it seems to me, to be unjust to anyone. We could not afford to give verity and our seal of approval to conclusions and findings which were not based upon the printed evidence or upon evidence which had been given before us. The question in my mind is to what extent would the public regard your report as the action of the committee? Would not some of the public feel that we were bound by your report or rather that you were speaking for us? There might be conclusions there which the committee, after hearing all the evidence upon which you have made your conclusions and findings, would not approve.

Mr. BRINKMAN. That might be. The only way I can suggest to obviate that is to call the witnesses down here. I had issued a number of subpœnas for witnesses. We probably had 14 or 15 witnesses here whom I intended to examine on special phases mentioned in the report, but the committee desired to abbreviate the hearings and therefore those witnesses were released. The only suggestion I can make is that the committee itself designate those parts of the report which they question and then we should substantiate those parts of the report by testimony of subpœnæd witnesses or bring here the material on which those parts of the report are based.

Senator KING. Why could you not address yourself at this time to those parts of your findings and your conclusions based upon evidence in the record which you insist support your findings and conclusions, and omit from your present consideration those findings and conclusions which you say are warranted by testimony or by information that you obtained outside of the record or which is not in the record? Then you could present to the committee in executive session those findings and conclusions which you say were based upon information obtained dehorts the record, and if we con-

clude those findings and conclusions were of sufficient importance to warrant further opening of the case and receiving further testimony, that could be done.

Mr. WHITEFORD. May I, in behalf of the real estate interests, make a suggestion which is somewhat along the lines Senator King has expressed? From the standpoint of the real-estate men we have had a number of hearings here, but various statements have been made by Mr. Brinkman respecting the activities of the Real Estate Board which are not, so far as I know, based upon any evidence that is in the record. I do not know what is in his report. None of us know. We do not want some statement apparently bearing the approval of Mr. Brinkman to be given to the committee that is not based upon something we have had a chance to answer. I do not know what his contention is about the Real Estate Board or about various practices of it. He has not seen fit to reveal that as yet, but he has made reference to various practices of the board from time to time.

We certainly do not want a report of that character put in the record and then, and only then, be given a chance to answer it. We want a chance to answer it, of course, but it seems to me if that report should be given to those of us who are interested in the hearing, we could then say to Mr. Brinkman, "There is no testimony on this point," or "We agree with you on this statement and do not care to disprove it. We concede that is the fact." For instance, he has been through the minutes of the Real Estate Board. Nobody is going to raise any question about what is in the minutes, provided all the minutes that might explain some item or matter that he complains about would be put into the record. If we might be given his report or a copy of it and go through it and talk to him about it, it might be we could say, "We will concede this statement without proving it at all. We agree that is so."

For instance, he said a moment ago there are various people to whom he talked in his office. I presume his report does not give the names and addresses of those people in order that we might interview them and get what they said. Various interrogatories have been sent out by him and questionnaires answered by various real-estate men. He says they are not a part of the record. How do we know but what those records might controvert the very conclusions he draws, had we been able to examine them?

Mr. BRINKMAN. They were records submitted by the real estate men themselves.

Senator COPELAND. Mr. Brinkman has done a lot of conscientious and hard work in getting this report ready and preparing the material for us.

A little while ago Senator Kean suggested what to me seems a good way to proceed. Why not go ahead and take up these items one after the other, and then in that way we can determine what may require further investigation and what may be agreed to without any further question. If the real estate men want to have a hearing and present statements or evidence in opposition to the findings and conclusions of Mr. Brinkman, in that way we could go through this list of conclusions and in the end have a complete record. Then the committee will be in a position to decide whether Mr. Brinkman's position is or is not justified.

Mr. BRINKMAN. That is agreeable to me. I thought we could go through this summary, and I could state the source of the information or conclusions.

Senator KEAN. I move that is the best way to proceed.

Senator KING. My opinion is the suggestion just made by counsel would be in the interest of a more speedy disposition of it, that our counsel submit his findings and conclusions, and go over the matter with the representative of the real estate men. They may admit a large number, and doubtless will.

Senator COPELAND. We would not have it then, ourselves. Still there would be a dispute between Mr. Brinkman and the Real Estate Board. We would not have any facts before us.

Senator KING. I am assuming they would agree upon a consider able number.

Senator COPELAND. I can not conceive of them agreeing upon half the ones I have read.

Mr. WHITEFORD. As to those we would want to offer testimony. We would offer testimony in opposition to it.

Senator KEAN. Let us see what you want to offer testimony about.

Mr. WHITEFORD. I did not want to have this work given the seal of authenticity from this committee, that it was a report and finding of this committee. If Mr. Brinkman is going to testify and give certain conclusions here and say he can support them, then we have an opportunity to controvert that is all right.

Senator COPELAND. I am with the witness on that matter. I did not want it put out as my conclusion, because certain conclusions are reached by the attorney for the committee that with what is in my mind I could not agree with. I have no doubt Mr. Brinkman has the material. I have confidence in him, but I would not want this report given to the public where the public might reach the conclusion it was the final conclusion of the committee, because with what I know I could not agree as a member of the committee with certain things. I will hear Mr. Brinkman, and I assume after I have heard him I will be convinced that he is right.

I would not want this report given to the public in its present form until all parties have had an opportunity to be heard. I do not see how we will be better off if there is a private conference between the attorney for the committee and the real-estate interests, because the committee would then have no evidence.

We will have to defend this report when we go on the floor. The way to do is to proceed as has been suggested, and go over this item by item. There will then be a revealing to the public and the real-estate board of the various charges which are made by the counsel for the committee.

The CHAIRMAN. You have heard Senator Kean's motion. (The motion was agreed to.)

Senator KEAN. Let us take up the first point.

Mr. BRINKMAN. No. 1 of the summary of facts and conclusions is:

That many of the apartment and dwelling house rentals in the District of Columbia are exorbitant and extortionate and impose severe hardship upon thousands of people.

That statement is borne out by the record of the hearing. We have the statement of the director of emergency relief as to the hardship that exists, the inability of many people to pay the rents demanded. We have in the record the admission of the agent for the Real Estate Board, or rather the statistician for the Real Estate Board, Mr. Lusk, that many apartment houses in the survey he conducted are paying 9, 10, or 11 per cent, as picked out by members of the committee at random; and we have in the report itself some instances of apartment houses that show on a fair basis return of 9, 10, 11, 12 per cent and even more.

Senator KEAN. On what basis do you estimate a fair return?

Mr. BRINKMAN. Reproduction cost.

The CHAIRMAN. What is that?

Mr. BRINKMAN. Reproduction cost. But the Real Estate Board has used the assessed value as shown in this report. The assessed value can not be used as a fair basis, for the reason the assessor in making his assessment has been guided by a figure approximating between six or seven times the gross rentals; in other words, he uses the gross rentals as part of his basis for the assessment. If the gross rentals are high, then he puts a high assessment on the property.

Senator COPELAND. On this one we have an abundance of testimony.

Mr. BRINKMAN. I would like to introduce a little more on that, and I can be sworn. I have no objection to testifying under oath.

The CHAIRMAN. I do not think it is necessary.

Senator COPELAND. Do we have to swear counsel?

The CHAIRMAN. No; it is not necessary.

Mr. BRINKMAN. I am testifying as a witness, and I am willing to be sworn. I have here, for instance, a petition signed by numerous tenants of apartments in the area that lies between West Virginia Avenue NE., and Montello Avenue NE., Oates Street NE., and Mount Olivet Road NE., dated July 12, 1932, stating that they rent certain flats, consisting of two rooms, kitchen, and bath, also back porch, at rents ranging from $34 to $42, but the flats are unheated and the tenants have to pay for the cost of heating them, and it states, "in view of the fact of wages being cut as well as other economic conditions, we consider it only fair that your office will kindly investigate same" and the petition states that the agents are G. F. Saul Co.

I investigated that particular situation, and after this complaint was made saw the agents or the owners, the General Realties Co., of which Mr. Young is president and Mr. Leon Oppenheimer is the other member of the company. I had them submit to me a statement of the cost of the property together with the operating expenses of the properties, and they stated (and I have the statement in my office)—they stated orally but furnished the figures in writing, that the property showed a return of 11 per cent. Now I do not know whether the committee considers that exorbitant but I do. Furthermore, my opinion as shown in the report is that those properties on a fair basis would earn more than 11 per cent, and the reasons for that conclusion are contained in the report. That is an evidence of exorbitant and extortionate rental, in my opinion. I do not know of any business that is returning its owners 11 per cent now.

Senator KEAN. What do you mean by 11 per cent?

Mr. BRINKMAN. Eleven per cent on the value of the properties.

Senator KEAN. Was that before taxes are deducted?

Mr. BRINKMAN. After deducting taxes and all operating expenses.

Senator KING. Was there any allowance for depreciation?

Mr. BRINKMAN. Yes; a liberal allowance for depreciation.

I also state in the first paragraph "it imposes a severe hardship upon thousands of people." We have the record of the municipal court, and that record shows that up to November 31, 38,894 landlord and tenant cases had been filed in the municipal court so far this year, nearly 40,000 before the year was completed. There are, according to the United States Census, 125,000 families in the District of Columbia. The eviction suits represent about 34 per cent of the families in the District of Columbia. Of course, as stated in this report, some of those families have been evicted more than once, nevertheless, the figure of 34 per cent of the total number of families in the District is represented by suits for possession of premises. I think that bears out the statement that the rents here do impose severe hardships upon thousands of people.

Now, on that point I would like to introduce in the record a letter that I have received. I do not know that it is necessary to state the name of the writer to the committee, but I will turn the letter over to the reporter, being dated July 28, 1932, addressed to the United States Senate Rents Committee. This letter reads:

I beg the liberty to inform you that I can not attend the hearing regarding high rent because of personal circumstances, but I am hoping something will be done about this high-rent business. I have two days' work a week at 25 cents per hour, and my rent is $20.50 per month for a house that has no heat, no light, no gas, and it is falling down, with holes in the floor. For God's sake, do something quickly.

Truly yours,

HOLBROOK ROBINSON.

That is a sample of many letters which have been received.

Senator KING. Is that an apartment house or a private residence?

Mr. BRINKMAN. It is a house, or so it states in here. The inquiry was not limited to apartments.

Senator KING. I know; I was just wondering.

Mr. WHITEFORD. May we have that name and number?

Mr. BRINKMAN. Well, I have no objection. [Handing letter to Mr. Whiteford.]

Mr. BRINKMAN. Now, then, on the question of the difficulty on the part of the people of paying their rent, here is another letter from 1012 R Street, as follows:

SENATOR CAPPER,
Senate Office Building.

DEAR SIR: I am writing you in regards of my rent. The real estate is Walker Thomas. He do not do the right thing. My husband is out of work. I only have two days' work a week and have two small children to care for. The house is in very bad condition. Can't very well rent my rooms, but they sent me a notice. I did not have all the money. They would not accept $30. The house rents for $45, which I think is too much. He said he was going to sit me on the street. I am asking you for help. This should not rent for over $25. I ask you to please take that up.

I remain,

MRS. LOUISE AUTROY.

That mentions a condition that we have known about, the unwillingness of the landlord to accept part of the rent. A tenant may not, on the 1st of the month, be able to pay the whole amount but will make an offer as this letter did. The landlord nevertheless institutes eviction proceedings.

Mr. WHITEFORD. What is the number?

Mr. BRINKMAN. 1012 R Street NW.

Here is a letter from Louise O'Brians. I really hate to make these names public because it embarasses the people.

WASHINGTON, *D. C., June 16, 1932.*

Senator CAPPER,
Senate District Committee, Senate Office Building.

DEAR SENATOR CAPPER: We rent a 4-room row house from Howenstein Bros., which now rents for $32.50, and due to the fluctuations of my husband's salary—manager of a gas station for a gas and oil company here, whose wage of a hundred dwindles to nearer $60 after shrinkage losses have been taken out—the operator has to pay these losses even when the pumps are admittedly leaking.

Naturally we fell behind on our rent and Howenstein filed papers against us about five times and it's cost us $2 each time. This has all happened within a period of about four months, and we have only been behind 15 days and never further than this. If rent was due the first they received it not much over the eighteenth. Only once did we get over that, and just 29 days.

One day they had the marshal's deputy, Martin, come out at 10.30 and tell me they would put me out the minute 11 came, and Howenstein's agent brought his movers.

I am the mother of three children and we find ourselves almost distracted over such proceedings.

We can not find cheaper quarters and with three children it would be impossible to try to do with less room.

This house originally sold for $2,200 and rented for $16 before gas, lights, and hot-water heat were put in. And I can not see the justification for such an increase in rent. We've lived here 15 months.

Due to their actions of charging us for court papers we've been forced to fall back on other obligations and lose a valuable piece of personal property. Every penny counts in this family.

I have searched the town for a job to make ends meet and still am looking.

This is just one of the many conditions caused by lack of adjustments in rent to conditions.

Sincerely yours,

LOUISE O'BRIANS.

We offered a half month's rent twice and it was refused.

When I make the statements in this report, those statements are based on fact. I am not in the habit of making statements not based on fact, and every word stated as a fact in this summary of conclusions can be substantiated by testimony, if the Senators want to sit here for a period of a week or two, so that we can bring down these witnesses and have them testify. I have introduced these letters to show that there are hardships in this town, and that there are people here who are unable to pay their rent. If you want to bring these people down, I suggest that you do it.

Senator COPELAND. I do not think we need to spend any more time on this first conclusion. I would change the wording a little bit and say "there are apartment and dwelling houses in the District of Columbia in which the rentals are exorbitant and extortionate, imposing severe hardships upon thousands of people."

I am perfectly satisfied that is true, from the testimony already heard. I could take from the files of my office more letters than I see before Mr. Brinkman.

Senator KEAN. I had hundreds of them.

Senator COPELAND. So far as that clause is concerned, I think we may accept it in general as fact.

Senator KEAN. I move that we go to number two.

Mr. BRINKMAN. Number two is "that rents and dwelling-house prices in Washington are much higher than in other cities of similar size."

That is not a statement out of thin air. It is a statement based on figures of the United States Census Bureau. They are in the record now as an appendix to the record, and give a comparison of Washington with 19 other cities. You can examine those figures. Furthermore, we have a report from the United States Department of Labor, Bureau of Labor Statistics, based on figures which they ordinarily collect, showing that rents here are higher than in Baltimore, Philadelphia, and other cities.

Senator COPELAND. Let us go to number three.

Mr. BRINKMAN (reading):

Three. That rents paid by many workers in Washington have not gone down perceptibly during the past two or three years.

That statement is borne out by comparison of the figures compiled by the Bureau of Labor Statistics, United States Department of Labor, included in the record, based on compilations that they regularly make, showing that there have been reductions in some houses, of a group of 750 houses of approximately 12 cents per room per year during the past two years, and in some cases the rents remained stationary or went up.

Mr. WHITEFORD. Is that in the record?

Mr. BRINKMAN. In the report.

Mr. WHITEFORD. Is there any testimony as to the rent of houses? We have not heard any testimony to support that figure that I have heard, 12 cents a room; where did that come from?

Mr. BRINKMAN. That is not the rent of a room. That is the reduction. I can read it right into the record. We have the original report.

Mr. WHITEFORD. No witness testified to that.

Mr. BRINKMAN. I suggest we just put into the record of the hearing the report of the Bureau of Labor Statistics. That will take care of that.

Mr. WHITEFORD. That went in with Mr. Lusk's report. The Bureau of Labor Statistics report is in the record.

Mr. BRINKMAN. No; it is not.

Mr. WHITEFORD. Mr. Lusk used those figures.

Mr. BRINKMAN. This is a compilation made by the Bureau of Labor Statistics, comparing rents here with other cities.

The CHAIRMAN. That would be an official report, which, it seems to me, this committee would have to take notice of.

Senator COPELAND. Nobody contends rents have gone down perceptibly during the last two or three years.

Mr. BRINKMAN. The real-estate men contend it. I think they claim that.

Senator COPELAND. They surely do not claim that.

Mr. BRINKMAN. I have letters to the contrary, but that is their contention. I would be glad to read some of these letters in the

record, showing actual cases where the rents have not gone down.

Senator COPELAND. Did we not have testimony on that?

Mr. BRINKMAN. Yes; it is in the record.

Will you incorporate in the record the report of the Bureau of Labor Statistics?

Senator KEAN. I move that that report go into the record.

The CHAIRMAN. That may go in. That is convincing testimony, to my mind.

(The report of the United States Department of Labor, Bureau of Labor Statistics, dated November 25, 1932, is as follows:)

U. S. DEPARTMENT OF LABOR,
BUREAU OF LABOR STATISTICS.
Washington, November 25, 1932.

Mr. O. H. BRINKMAN,
Counsel for Rent Committee,
United States Senate, Washington, D. C.

DEAR SIR: Complying with the request of the rent committee of the U. S. Senate for information concerning rents in Washington and certain other cities, we hand you herewith a copy of the statement prepared by the bureau, entitled "Changes in Rents, 1929–1932."

Very truly yours,

CHAS. E. BALDWIN,
Acting Commissioner of Labor Statistics.

Inclosures.

CHANGES IN RENTS, 1929–1932

The Bureau of Labor Statistics of the United States Department of Labor computes and publishes semiannual index numbers which show changes in rents in Washington and 31 other large cities of the United States. The purpose of these index numbers is only to show the extent of the change within each city by itself and for all cities combined. The bureau does not attempt to compare actual money rents in one city with rents in another city, nor can its figures fairly be used for that purpose.

Rental prices are collected in each city from real-estate agents for a large number of houses and appartments, varying in June, 1932, from 445 in Mobile to 2,488 in New York. The housing units selected from the real-estate agent's rental list are of the type usually occupied by wage earners. The rental prices are obtained each six months on identical housing units as long as they can be followed or until some material change takes place in the property which greatly changes its rental value.

Changes, of course, are continually taking place. Houses are sold or torn down and thus they are lost from the agent's list. Houses are withdrawn from an agent and can not be followed. To maintain a quota for a city it is necessary, therefore, to get other housing units from the same real-estate agents or from some other agents. However, a rental price is not used by the bureau unless the bureau has the rental price for two consecutive semiannual periods.

In determining the change from one 6-month period to another the rentals for identical housing units for the two periods are entered in parallel columns. The two columns are added, and the sum of the two columns are compared to determine the per cent of change in rent for the city. The ratios of the semiannual percentage changes are combined to form the index numbers over a period of years.

The figures as compiled serve the purpose of the bureau in ascertaining the rental change in a city from one 6-month period to another, and that is the whole problem of the bureau. To get the percentage change in rentals it is not necessary to know the neighborhood in which the house is located, the construction, the size, the number of rooms, the condition of repair, the distance from school or work or market, the distance from a car line, or to know any of the other things about the place that a renter would consider before he rented the property. Were the bureau to undertake to show whether

rentals of apartments and houses were higher in one city than another, a careful examination of every housing unit would be necessary and a record made for each housing unit on some form of a score card, of all the various factors named above. More than that, to avoid differences in personal opinions as to the several features of a house, the same agent would have to make the study in the two cities for which comparison is desired. Such a survey possibly could be made, but the cost of such a survey would be too great to be considered by this bureau.

TABLE 1.—*Change in average rents in Washington*

Items	June 1929	Dec. 1929	June 1930	Dec. 1930	June 1931	Dec. 1931	June 1932	Ratio	Index June 1929=100.0
								Per cent	
766	$48.69	$48.51						99.6	99.6
761		48.72	$48.65					99.9	99.5
770			47.83	$47.43				99.2	98.7
766				47.38	$47.21			99.6	98.3
776					47.52	$47.41		99.8	98.1
792						47.28	$47.00	99.4	97.5

Table 1 here presented shows changes in average monthly rents in Washington from period to period. In comparing rentals between June, 1929, and December, 1929, the bureau found 766 rental units for which the figures were available in both months. These 766 rental units had an average monthly rental of $48.69 in June, 1929, and $48.51 in December, 1929. This meant a slight decrease in rents on these 766 identical units.

The ratio column in the table shows that the average rental in December, 1929, was 99.6 per cent of the rental in June, 1929. This establishes an index number of rent changes with June, 1929, as 100, and December, 1929, as 99.6.

When the time came to collect rentals in June, 1930, it was found that several rental units had been dropped from the list for one cause or another. Other rental units, however, were found and the rent on such units was obtained for June, 1930, and also for December, 1929. All told, there were 761 such comparisons possible. This total is only 5 less than the total units in the preceding comparison, but this does not mean that 761 units were entirely identical with 761 units in the preceding comparison. It will be noticed that the average rental in December, 1929, for these 761 units was $48.72, which is slightly higher than was the rental in the same month for 766 units in the preceding comparison. As stated, the 761 units had an average rent of $48.72 in December, 1929, and $48.65 in June, 1930. From these figures it is found that the average rental in June, 1930, was 99.9 per cent of the rental of the 761 units in December, 1929. This figure, 99.9, is shown in the ratio column.

It is previously shown that the index for December, 1929, on the June, 1929, base was 99.6. Now if rents in June, 1930, were 99.9 per cent of rents in December, 1929, then the index for June, 1930, would be 99.9 per cent of the index for December, 1929. This makes the index for June, 1930, 99.5, as compared with an index of 99.6 in December, 1929, and an index of 100 in June, 1929.

Some rental units were lost for one cause or another and other rental units were found when the time came to collect December, 1930, rentals. When the new December, 1930, rental units had been found the rent was obtained for such new units as of June, 1930. The total number of rental units for which comparable figures were available in June, 1930, and December, 1930, was 770. The average rental in December, 1930 was 99.2 per cent of the rental for the identical properties in June, 1930. The index number of rents for December, 1930 on the June, 1929 base is therefore 99.2 per cent of the index for June, 1930. Thus, 99.2 per cent of the index 99.5 gives an index of 98.7 for December, 1930, as compared with 100 in June, 1929. The figures for the other months are subject to the same explanation. By compounding these results, it is found that the index for June, 1932 is 97.5. This makes a drop of 2.5 per cent in rents in Washington between June, 1929 and June, 1932.

The method explained above is the only satisfactory method of determining rent changes from period to period over any number of years.

In actual practice, as explained above, the bureau does not compute the averages as shown in this table. The ratio of change in the six months period is computed directly from the aggregate rentals. It is not necessary to compute the monthly average. Such computation is made in this table only to make it better understood. It is obvious that the sum of all the 766 rentals in June, 1929, bears the same relation to the sum of all the rentals of the 766 units in December, 1929, as do the two averages shown in the table. The only difference that could arise is a slight variation in the terminal decimal, owing to extended decimals being dropped. The June, 1929 index for rent in Washington as published in the Monthly Labor Review on the December, 1914 base, was 130.5. The index for June, 1932 was 127.1. This makes a difference in the index of 3.4, which means a decrease of 2.6 per cent between the rental indexes stated. The difference between 2.5 per cent as shown in Table 1 above and 2.6 per cent as computed from the index numbers as published in the Monthly Labor Review is accounted for by the rounding out of extended decimals.

It is evident from the table that it would be an error to compare the rent of $48.69 in June, 1929, with the rent of $47 as shown for June, 1932. During this 3-year interval there were many changes in rental properties and this very considerable number of changes is materially greater than shown by the difference between 766 rental units in June, 1929, and 792 rental units in June, 1932. The rental figure of $47 given in Table 1 for June, 1932, is 3.5 per cent lower than the rental figure of $48.69 in June, 1929, which per cent (3.5) is thus considerably more than the actual change as determined by the bureau's method of computation, such change being 2.6 per cent as computed from the bureau's published index numbers, or a change of 2.5 per cent as shown in Table 1.

The rent schedules for Washington have been examined to determine how many rental units there were for which data were available each June, 1929, 1931, and 1932. In Table 2 it is seen that there were 451 identical rental units for which rent figures were available each month named. The average monthly rental for these 451 identical units was $47.25 in June, 1929; $46.66 in June, 1931; and $46.31 in June, 1932. These figures show a decrease of 2 per cent between June, 1929, and June, 1932. This number of items, 451, is much smaller than the number used in each six months' comparison, and, therefore, is not as satisfactory.

TABLE 2—*Identical rents in Washington, D. C., for three specified periods*

Period of study	Number of rents	Average rent per month	Per cent of change
June, 1929	451	$47.25	June, 1929, to June, 1931, −1.2.
June, 1931	451	46.66	June, 1931, to June, 1932, −0.8.
June, 1932	451	46.31	June, 1929, to June, 1932, −2.0.

Table 3 shows the decrease in rents from June, 1929, to June, 1932, in six cities.

TABLE 3.—*Decrease in rents from June, 1929, to June, 1932, as computed from the index numbers published in the Monthly Labor Review*

	Per cent		Per cent
Baltimore	8.3	Philadelphia	16.4
Kansas City	10.7	Seattle	17.8
Minneapolis	10.7	Washington	2.6

Because of the specific request made therefor by the committee, the bureau has prepared a table showing monthly rentals classified by apartments and houses and by number of rooms. Figures are given for June each year 1929, 1931, and 1932 for the cities of Washington, Baltimore, Kansas City, Minneapolis, Philadelphia, and Seattle. The figures for each period cover all the rental units for which rents are available for the specific period, including the units for which there is no comparison with the preceding or following period. This table is made reluctantly because of the improper use that may be made of it. Each sheet of the table in and of itself is satisfactory as it speaks for only one period in the city. It must be clearly understood that this table can not be used properly to draw rent comparisons between cities, nor can it be fairly used to draw comparisons between different periods in the same city.

TABLE 4.—*Rents*

WASHINGTON, D. C., JUNE, 1929

Type and size of rentals	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
2 rooms	----	----	1	5	9	12	5	10	10	9	1	1	63	----	$47.30
3 rooms	----	----	7	10	10	14	30	32	16	10	2	6	137	----	47.70
4 rooms	----	3	9	24	22	16	22	30	17	24	17	6	190	----	47.13
5 rooms	----	----	----	2	10	6	14	27	17	18	23	21	138	----	56.00
6 rooms	----	----	----	----	----	----	----	2	1	1	2	3	9	----	63.33
Total	----	3	17	41	51	48	71	101	61	62	45	37	537	3.8	49.84
Houses:															
4 rooms	----	----	----	1	----	----	----	----	----	----	----	----	1	----	33.00
5 rooms	----	1	2	----	----	----	2	----	----	----	----	----	5	----	32.90
6 rooms	----	12	18	22	24	29	26	15	22	17	15	6	206	----	43.82
7 rooms	----	----	----	2	2	3	6	4	1	2	3	2	25	----	50.02
8 rooms	----	----	----	1	2	----	5	5	5	4	2	----	24	----	50.98
9 rooms	----	----	----	----	----	2	3	1	----	----	3	4	13	----	58.35
10 rooms	----	----	----	----	----	----	2	1	1	1	----	4	9	----	62.67
Total	----	13	20	26	28	34	44	26	29	24	23	16	283	6.5	46.01
Total all rentals	----	16	37	67	79	82	115	127	90	86	68	53	820	4.7	48.52

	Number	Per cent of total
Per cent of rentals:		
Apartments	537	65.5
Houses	283	34.5
Total	820	100.0

Average rental per room:	
Apartments	$13.11
Houses	7.08
All rentals	10.25

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TABLE 4.—*Rents*—Continued

WASHINGTON, D. C., JUNE, 1931

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms				11	11	20	6	5	6	4	1		64		$43.45
3 rooms			6	7	20	22	38	25	14	20	10	1	163		44.74
4 rooms		3	7	15	28	13	31	23	24	21	10	6	181		47.33
5 rooms			2	1	14	8	10	23	19	23	23	4	127		53.61
6 rooms					2			2	2	2	4		12		55.00
Total		3	15	34	75	63	85	78	65	70	48	11	547	3.7	48.63
Houses:															
4 rooms						1							1		40.00
5 rooms			4		2	2	1						9		33.83
6 rooms		8	20	21	22	27	25	29	23	10	7	2	194		42.79
7 rooms				1	1	3	5	4	4	3	2		23		50.26
8 rooms					1		7	6	3	3	2	1	23		52.33
9 rooms								1	3	3	2	2	11		61.21
10 rooms							2		2	2			6		54.33
Total		8	24	22	26	33	40	40	35	21	13	5	267	6.4	44.96
Total, all rentals		11	39	56	101	96	125	118	100	91	61	16	814	4.6	47.42

	Number	Per cent of total
Per cent of rentals:		
Apartments	547	67.2
Houses	267	32.8
Total	814	100.0

Average rental per room:

Apartments	$12.99
Houses	6.99
All rentals	10.25

TABLE 4.—*Rents*—Continued

WASHINGTON, D. C., JUNE, 1932

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms				11	10	20	11	15	8	3	2		80		$45.09
3 rooms			6	7	19	23	31	30	16	18	10	1	161		47.99
4 rooms		3	1	18	20	15	25	24	23	16	9	6	160		47.78
5 rooms			2	3	12	6	10	18	18	16	24	3	112		53.47
6 rooms					2			2	2	3	2		11		53.64
Total		3	9	39	63	64	77	89	67	56	47	10	524	3.6	48.77
Houses:															
4 rooms						1							1		40.00
5 rooms		8	4			2	1						17		28.26
6 rooms		7	23	22	25	28	25	29	20	9	9	2	199		42.49
7 rooms					2	3	5	3	6	2	1	1	23		51.13
8 rooms					1	1	5	6	1	2	3	1	20		52.80
9 rooms								1	4		1	2	8		61.36
10 rooms							2		2				4		51.38
Total		15	27	22	30	35	38	39	33	13	14	6	272	6.3	43.77
Total, all rentals		18	36	61	93	99	115	128	100	69	61	16	796	4.6	47.06

	Number	Per cent of total
Per cent of rentals:		
Apartments	524	65.8
Houses	272	34.2
Total	796	100.0

Average rental per room:

Apartments	$13.39
Houses	6.94
All rentals	10.33

TABLE 4.—*Rents*—Continued

BALTIMORE, MD., JUNE, 1929

Type and size of rentals	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
2 rooms			5	2	3	4		6	2				22		$40.04
3 rooms	1	1	3	7	7	23	20	22	14	21	17	3	139		49.73
4 rooms	1	2	5	4	11	7	11	23	17	11	10	6	108		49.45
5 rooms	2		1	4	2	4	13	9	8	16	13	45	117		59.91
6 rooms					1	2	1	2	2	5	3	5	21		58.81
7 rooms										1	1		2		63.00
8 rooms						3							3		40.00
Total	4	3	14	17	24	43	45	62	43	54	44	59	412	4.0	52.49
Houses:															
4 rooms	2	6											8		19.71
5 rooms	25	23	17	1	1								67		22.87
6 rooms	24	54	83	76	28	15	3	3	1	1			288		28.26
7 rooms		13	14	13	7	1	3	2	1		1		55		30.89
8 rooms	3	8	14	15	13	12	2	6	1	5	2		81		35.84
9 rooms		2	2	2	4	6	4	6	5		3	1	35		45.16
10 rooms					1	3	5	6		3	2	1	21		51.05
Total	54	106	130	107	54	37	17	23	8	9	8	2	555	6.6	30.78
Total, all rentals	58	109	144	124	78	80	62	85	51	63	52	61	967	5.5	40.03

	Number	Per cent of total
Per cent of rentals:		
Apartments	412	42.6
Houses	555	57.4
Total	967	100.0

Average rental per room:

Apartments	$13.17
Houses	4.68
All rentals	7.31

TABLE 4.—*Rents*—Continued

BALTIMORE, MD., JUNE, 1931

Type and size of rentals	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
2 rooms						3	1						4		$41.25
3 rooms		11	2	10	20	27	22	17	7	14	11	4	145		44.99
4 rooms	1		4	9	17	13	19	21	12	10	6	1	113		46.04
5 rooms			1	4	4	13	9	16	6	10	4	4	71		49.37
6 rooms				1	2	1				2	2		8		48.75
7 rooms				1						1	1		3		51.67
8 rooms					1	1							2		38.00
Total	1	11	7	25	44	58	51	54	25	37	24	9	346	3.9	46.29
Houses:															
4 rooms	2	3											5		19.03
5 rooms	8	24	12	5	1					1			51		23.68
6 rooms	17	77	91	98	45	30	7	5			1		371		29.31
7 rooms	1	14	17	11	5	2	5	5		4	1	1	66		33.16
8 rooms	4	7	16	14	15	13	2	6	4	5	2		88		36.11
9 rooms		3	2	5	4	4	5	4	4				31		39.60
10 rooms			1		1	2	2	3			1		10		44.50
Total	32	128	139	133	71	51	21	23	8	10	5	1	622	6.5	30.89
Total, all rentals	33	139	146	158	115	109	72	77	33	47	29	10	968	5.6	36.40

	Number	Per cent of total
Per cent of rentals:		
Apartments	346	35.7
Houses	622	64.3
Total	968	100.0

Average rental per room:

Apartments	$12.00
Houses	4.75
All rentals	6.55

TABLE 4.—*Rents*—Continued

BALTIMORE, MD., JUNE, 1932

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms					2	1							3		$36.67
3 rooms	4	6	3	10	20	24	18	8	6	15	6	2	122		43.28
4 rooms	1	1	4	4	11	15	11	15	9	8	2	2	83		45.66
5 rooms				3	3	10	6	15	10	2	20	2	71		53.00
6 rooms				2	1	1			2	2	2		10		50.10
7 rooms										1	1		2		62.50
8 rooms				2									2		32.00
Total	5	7	7	21	37	51	35	38	27	28	31	6	293	3.9	46.53
Houses:															
4 rooms	2	3		1									6		20.50
5 rooms	14	27	8	5						1			55		22.55
6 rooms	24	91	94	97	39	15	5	5			1		371		27.94
7 rooms	1	17	14	9	4	3	9	4	1		2		64		32.19
8 rooms	4	8	21	21	6	7	1	4	3	5	1		81		33.41
9 rooms		4	3	3	6	2	6	3	2				29		37.57
10 rooms			2			2	2	2					8		40.31
Total	45	150	142	136	55	29	23	18	6	6	4		614	6.5	29.17
Total, all rentals	50	157	149	157	92	80	58	56	33	34	35	6	907	5.6	34.78

	Number	Per cent of total
Per cent of rentals:		
Apartments	293	32.3
Houses	614	67.7
Total	907	100.0

Average rental per room:	
Apartments	$11.87
Houses	4.52
All rentals	6.17

TABLE 4.—*Rents*—Continued

KANSAS CITY, MO., JUNE, 1929

Type and size of rentals	Rent per month—												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
3 rooms	2	1	1	4	15		7						30		$34.95
4 rooms	2	18	9	42	73	71	26	26	1				268		37.18
5 rooms		4	10	16	45	98	99	47	13	1			333		42.15
6 rooms	2	7	1	4	4		19	19	8	13	1		78		46.07
7 rooms						5		3	3	2			13		49.23
Total	6	30	21	66	137	174	151	95	25	16	1		722	4.7	40.56
Houses:															
3 rooms		1											1		20.00
4 rooms	3	3	4										10		21.20
5 rooms	1	8	18	14	11	4	2		3				61		30.76
6 rooms	1	2	6	8	5	2	5	2	2	3	1		37		37.43
7 rooms	1	2	3	5	9	4	1	1	1		1		28		34.96
8 rooms		1	2	1	2	2	4	2	1				15		39.17
9 rooms					1	1	1	3			1		7		47.86
10 rooms						1							1		40.00
Total	6	17	33	28	28	14	13	8	7	3	3		160	6.0	33.97
Total, all rentals	12	47	54	94	165	188	164	103	32	19	4		882	4.9	39.36

	Number	Per cent of total
Per cent of rentals:		
Apartments	722	81.9
Houses	160	18.1
Total	882	100.0

Average rental per room:	
Apartments	$8.65
Houses	5.67
All rentals	7.99

TABLE 4.—*Rents*—Continued

KANSAS CITY, MO., JUNE, 1931

Type and size of rentals	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
3 rooms	2				13	11	7						33		$38.77
4 rooms	2	11	18	44	76	72	23	6	4	10			266		37.34
5 rooms		8	15	26	41	87	71	47	10	7	1	1	314		41.54
6 rooms						2	16	13	11	1	1		44		49.72
7 rooms									1	2			3		58.33
Total	4	19	33	70	130	172	117	66	26	20	2	1	660	4.6	40.33
Houses:															
4 rooms	1	4	2										7		21.07
5 rooms	4	9	17	14	8	4		3	3				62		30.35
6 rooms	1	2	7	5	4	3	9	2	6	2	1		42		39.76
7 rooms		3	4	4	8	2	2	1	2	1			27		35.41
8 rooms		3	1		3	3	2	1		1			14		36.61
9 rooms					2	2	2		1				7		42.14
10 rooms				1						1			2		45.00
Total	6	21	31	24	25	14	15	7	12	5	1		161	6.0	34.49
Total, all rentals	10	40	64	94	155	186	132	73	38	25	3	1	821	4.9	39.19

	Number	Per cent of total
Per cent of rentals:		
Apartments	660	80.4
Houses	161	19.6
Total	821	100.0

Average rental per room:	
Apartments	$8.82
Houses	5.70
All rentals	8.06

TABLE 4.—*Rents*—Continued

KANSAS CITY, MO., JUNE, 1932

Type and size of rental	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $25	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
3 rooms				7	15	4	5						31		$36.85
4 rooms		10	35	50	76	26	11	8	11				227		35.20
5 rooms	6	7	30	31	71	79	54	25	3	2	1	1	310		38.34
6 rooms					2	5	16	14	3	1			41		46.89
7 rooms								1	2				3		53.33
Total	6	17	65	88	164	114	86	48	19	3	1	1	612	4.6	37.75
Houses:															
4 rooms		2	1										3		23.33
5 rooms	3	13	12	13	3	2	2						48		27.36
6 rooms		2	5	6	4	6	4	2	1	2			32		37.11
7 rooms		2	3	4	6	4	1	2					22		34.09
8 rooms		1	2	2	2	1	1	1			1		11		36.82
9 rooms			1		2	1	1						5		36.00
Total	3	20	24	25	17	14	9	5	1	2	1		121	6.0	32.28
Total, all rentals	9	37	89	113	181	128	95	53	20	5	2	1	733	4.8	36.84

	Number	Per cent of total
Per cent of rentals:		
Apartments	612	83.5
Houses	121	16.5
Total	733	100.0

Average rental per room:	
Apartments	$8.20
Houses	5.34
All rentals	7.61

TABLE 4.—*Rents*—Continued

MINNEAPOLIS, MINN., JUNE, 1929

Type and size of rentals	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
2 rooms				5	4	15	14	13	9	14	15	1	90	------	$51.74
3 rooms	3	6	4		7	12	18	26	5		2	2	85	------	44.01
4 rooms		4	22	25	25	22	12	23	7	11		3	154	------	40.11
5 rooms	16	13	13	31	41	19	20	32	5	9			199	------	37.46
6 rooms		3		7	7	7	4	17	11	21	7	12	96	------	52.63
7 rooms					1	5	2	2	11	5	6	9	41	------	58.05
Total	19	26	39	68	85	80	70	113	48	60	30	27	665	4.4	44.30
Houses:															
3 rooms		1	2										3	------	25.00
4 rooms	4	8	5	4	11	2	2						36	------	29.17
5 rooms		9	16	21	19	13	13	15	6	2			114	------	37.22
6 rooms		5	9	10	2	9	4	11	2	6	3		61	------	40.37
7 rooms		1	3	5	4	2	1	7	1	4	2	1	31	------	44.10
8 rooms		1					2	2		1	1		7	------	48.21
9 rooms					1	1				1			3	------	45.00
Total	4	25	35	40	37	27	22	35	9	14	6	1	255	5.4	37.92
Total, all rentals	23	51	74	108	122	107	92	148	57	74	36	28	920	4.7	42.54

	Number	Per cent of total
Per cent of rentals:		
Apartments	665	72.3
Houses	255	27.7
Total	920	100.0

Average rental per room:	
Apartments	$10.13
Houses	6.96
All rentals	9.10

TABLE 4.—*Rents*—Continued

MINNEAPOLIS, MINN., JUNE, 1931

Type and size of rentals	Rent per month: Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over	Total number of rentals	Average number of rooms	Average rent per month
Apartments:															
2 rooms						1	1						2	------	$45.00
3 rooms	8	2	1	4	6	23	40	27	3	4	1		119	------	43.71
4 rooms	2	5	22	28	23	28	17	32	7	6			170	------	39.23
5 rooms	17	15	23	29	13	9	25	28	2				161	------	34.59
6 rooms		3		8	8	7	3	14	10	7	18		78	------	49.76
7 rooms				1	2				3	6	7		19	------	56.84
Total	27	25	46	70	52	68	86	101	25	23	26		549	4.5	40.96
Houses:															
3 rooms		1	5										6	------	24.17
4 rooms	10	14	8	11	7	2							52	------	25.87
5 rooms	3	11	35	21	28	18	13	9	7	3			148	------	34.75
6 rooms	1	7	8	11	9	16	8	10	6	5	1		82	------	39.32
7 rooms		2	5	6	5	3	3	8	3	3	2		40	------	41.81
8 rooms							2	2	2		1		7	------	52.14
9 rooms						1	1			1			4	------	45.00
Total	14	35	61	49	50	40	27	29	18	12	4		339	5.4	35.62
Total, all rentals	41	60	107	119	102	108	113	130	43	35	30		888	4.8	38.92

	Number	Per cent of total
Per cent of rentals:		
Apartments	549	61.8
Houses	339	38.2
Total	888	100.0

Average rental per room:	
Apartments	$9.19
Houses	6.60
All rentals	8.08

TABLE 4.—*Rents*—Continued

MINNEAPOLIS, MINN., JUNE, 1932

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms					1								1		$35.00
3 rooms	10	1	3	3	31	33	33	6		4		1	125		39.47
4 rooms	3	10	34	24	23	26	15	13	7				155		35.46
5 rooms	21	7	27	21	2	16	23	5					122		31.82
6 rooms	1	2	1	14	1	12	6	13	6	5	1		62		43.15
7 rooms			1		2				6	7			16		53.13
Total	35	20	66	62	60	87	77	37	19	16	1	1	481	4.3	37.16
Houses:															
3 rooms		3	4										7		22.86
4 rooms	11	12	9	2									34		20.93
5 rooms	6	20	21	22	26	12	13	4	6	2			132		33.14
6 rooms	2	9	8	11	8	16	12	6		2			74		35.67
7 rooms		4	9	4	6	2	3	5	4		1		38		37.07
8 rooms							3	1			1		5		50.00
9 rooms				1		1				1			3		43.33
Total	19	48	51	40	40	31	31	16	10	5	2		293	5.4	33.02
Total, all rentals	54	68	117	102	100	118	108	53	29	21	3	1	774	4.8	35.59

	Number	Per cent of total
Per cent of rentals:		
Apartments	481	56.7
Houses	293	43.3
Total	774	100.0

Average rental per room:	
Apartments	$8.55
Houses	6.07
All rentals	7.48

TABLE 4.—*Rents*—Continued

PHILADELPHIA, PA., JUNE, 1929

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms		1	5	5	3		1	1					16		$30.94
3 rooms		1	1	5	3	16	7	10	4	2			49		43.28
4 rooms			3	4	2	11	10	7	2	1	5	1	46		45.29
5 rooms			1		2	11	14	38	29	3	4	2	104		50.58
6 rooms				1		1	2	2	5				11		48.64
Total		2	10	15	10	39	34	58	40	6	9	3	226	4.2	46.44
Houses:															
3 rooms	3												3		18.00
4 rooms	17	34	47	32	2								132		26.45
5 rooms	18	53	58	95	30	6	1	1					262		27.58
6 rooms	13	51	131	172	219	134	53	30	8	4	3		818		34.17
7 rooms		6	22	31	37	39	23	19	6	3		1	187		37.84
8 rooms		2	3	8	19	42	24	23	10	7	4	1	143		43.97
9 rooms			2	8	6	14	10	10	3	5		5	63		45.31
10 rooms					2	2	4	9	5	3	6	6	37		57.01
Total	51	146	263	346	315	237	115	92	32	22	13	13	1,645	6.2	34.68
Total, all rentals	51	148	273	361	325	276	149	150	72	28	22	16	1,871	5.9	36.10

	Number	Per cent of total
Per cent of rentals:		
Apartments	226	12.1
Houses	1,645	87.9
Total	1,871	100.0

Average rental per room:	
Apartments	$11.06
Houses	5.62
All rentals	6.09

TABLE 4.—*Rents*—Continued

PHILADELPHIA, PA., JUNE, 1931

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms				1	2		1	1					5		$39.00
3 rooms		2	3	6	17	5	12	5	2				52		38.76
4 rooms		2	3	1	7	18	3	5	2	4			45		41.21
5 rooms		1		3	7	14	21	12	5	3	1		67		44.63
6 rooms		1				3	2	3					9		42.50
Total		6	6	11	33	40	39	26	9	7	1		178	4.1	41.78
Houses:															
3 rooms	2												2		15.00
4 rooms	22	47	26	11	1								107		22.59
5 rooms	27	75	92	52	22	1							269		25.30
6 rooms	11	66	239	215	231	101	43	23	4	8	1	1	943		32.46
7 rooms	1	5	27	41	40	37	12	8	3	2			176		35.24
8 rooms	1		8	9	26	37	18	14	4	4	1		122		40.58
9 rooms		2	8	8	10	10	10	5		4	1	2	60		40.03
10 rooms					4	4		4	4	1	2		19		47.89
Total	64	195	400	336	334	190	83	54	15	19	5	3	1,698	6.1	32.00
Total, all rentals	64	201	406	347	367	230	122	80	24	26	6	3	1,876	5.9	32.93

	Number	Per cent of total
Per cent of rentals:		
Apartments	178	9.5
Houses	1,698	90.5
Total	1,876	100.0

Average rental per room:	
Apartments	$10.12
Houses	5.24
All rentals	5.56

TABLE 4.—*Rents*—Continued

PHILADELPHIA, PA., JUNE, 1932

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms			1		2		1	1					5		$38.60
3 rooms		2	5	17	10	2	9	3					48		34.81
4 rooms		1	5	7	5	11	1	3	1	4			38		38.67
5 rooms	1			3	9	21	9	9	2				54		41.30
6 rooms	1				3	2	3						9		37.50
Total	2	3	11	27	29	36	23	16	3	4			154	4.1	38.32
Houses:															
3 rooms	2												2		13.00
4 rooms	34	37	10	1									82		20.22
5 rooms	50	93	75	15	2								235		22.52
6 rooms	16	115	257	226	143	81	26	15	9	3			891		30.51
7 rooms	1	19	28	24	52	23	10	4		1			162		33.10
8 rooms	3	8	22	40	19	6	13	3	1				115		37.17
9 rooms		5	5	12	11	4	4	7	2	2	2		54		37.55
10 rooms			2	1	5	4	2	2					16		37.81
Total	106	277	399	319	232	118	55	31	12	6	2		1,557	6.1	29.82
Total, all rentals	108	280	410	346	261	154	78	47	15	10	2		1,711	6.0	30.58

	Number	Per cent of total
Per cent of rentals:		
Apartments	154	9.0
Houses	1,557	91.0
Total	1,711	100.0

Average rental per room:	
Apartments	$9.37
Houses	4.86
All rentals	5.14

TABLE 4.—*Rents*—Continued

SEATTLE, WASH., JUNE, 1929

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms		2	1	10	5	5	3						26		$35.02
3 rooms	4	6	9	4	6	5	10	10	2		1		57		36.89
4 rooms	4	17	5	4	4	24	6	7	5	2	1	2	81		37.49
5 rooms	1	7	20	6	2	5	1		3	1			46		30.71
6 rooms	1	5	6	4	6	2		1	2		3		30		34.80
7 rooms			4	1	1	4							10		32.75
Total	10	37	45	29	24	45	20	18	12	3	5	2	250	4.1	35.34
Houses:															
3 rooms	8	11	13		2			3	1				38		25.28
4 rooms	22	46	37	15	9	6	3	1					139		24.69
5 rooms	6	35	61	24	27	18	12	2	2	1	1		189		30.23
6 rooms	2	22	45	24	22	18	4	5	4	1	1		148		31.41
7 rooms	1	6	8	15	12	11	2	10	2	1	1		69		36.25
8 rooms	2	3	3	2	3	2	2	5			1		23		35.98
9 rooms					1								1		35.00
10 rooms						1	1						2		42.50
Total	41	123	167	80	76	56	24	26	9	3	4		609	5.3	29.89
Total, all rentals	51	160	212	109	100	101	44	44	21	6	9	2	859	4.9	31.48

	Number	Per cent of total
Per cent of rentals:		
Apartments	250	29.1
Houses	609	70.9
Total	859	100.0

Average rental per room:	
Apartments	$8.60
Houses	5.69
All rentals	6.40

TABLE 4.—*Rents*—Continued

SEATTLE, WASH., JUNE, 1931

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms	1	4	7	2	16	10	2						42		$33.68
3 rooms	3	7	10	14	9	10	19	10	6	3	4		95		39.71
4 rooms	12	18	5	1	10	17	6	11	7	7			94		36.60
5 rooms		9	27	8	4	5	3	2	3	2			63		31.56
6 rooms		1	7	1	2		1	1	2		2		17		37.38
7 rooms			5		3								8		29.69
Total	16	39	61	26	44	42	31	24	18	12	6		319	3.8	36.01
Houses:															
3 rooms	9	15	3	3	7								37		23.77
4 rooms	26	36	41	23	5	5							106		24.47
5 rooms	14	37	67	39	34	19	6	5	3	3			227		29.80
6 rooms	6	20	32	26	31	19	13	14	9	3	2		175		34.84
7 rooms	1	4	13	10	11	9	1	3		2	1		55		33.83
8 rooms		2	1	2	4	3	2	4	2			1	21		41.52
9 rooms						1							1		40.00
10 rooms						1		1				1	3		55.00
Total	56	114	157	103	92	57	22	27	14	8	3	2	655	5.2	30.54
Total, all rentals	72	153	218	129	136	99	53	51	32	20	9	2	974	4.8	32.34

	Number	Per cent of total
Per cent of rentals:		
Apartments	319	32.8
Houses	655	67.2
Total	974	100.0

Average rental per room:	
Apartments	$9.43
Houses	5.83
All rentals	6.77

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TABLE 4.—*Rents*—Continued

SEATTLE, WASH., JUNE, 1932

Type and size of rentals	Rent per month												Total number of rentals	Average number of rooms	Average rent per month
	Under $20	$20 and under $25	$25 and under $30	$30 and under $35	$35 and under $40	$40 and under $45	$45 and under $50	$50 and under $55	$55 and under $60	$60 and under $65	$65 and under $70	$70 and over			
Apartments:															
2 rooms	3	7	3	8	7	3							31		$28.66
3 rooms	13	10	11	22	21	12	8	7	2				106		32.60
4 rooms	20	9	3	14	9	12	7	1		4			79		30.70
5 rooms	8	13	10	1	3	1	1	1					38		24.78
6 rooms		6	2			1		3	1	1			14		34.64
7 rooms			1	2									3		29.17
Total	44	45	30	47	40	29	16	12	3	5			271	3.7	30.57
Houses:															
3 rooms	16	3	1		6	1							27		21.74
4 rooms	50	28	12	8	2	2	4						106		21.29
5 rooms	37	44	45	27	16	6	3	2	1	1			182		25.41
6 rooms	26	22	29	30	10	6	6	3	6		2		140		28.65
7 rooms	5	4	13	8	10	4		1	1	1			47		30.02
8 rooms		1	1	2	4	1	3	3					15		38.33
9 rooms					1	1							2		37.50
10 rooms						3							3		40.00
Total	134	102	101	75	49	24	16	9	8	2	2		522	5.3	26.17
Total, all rentals	178	147	131	122	89	53	32	21	11	7	2		793	4.7	27.67

	Number	Per cent of total
Per cent of rentals:		
Apartments	271	34.2
Houses	522	65.8
Total	793	100.0

Average rental per room:	
Apartments	$8.36
Houses	4.966
All rentals	5.866

Senator COPELAND. That is a matter of debate between the real estate board and the committee. Now, I am satisfied from what I have heard that it is a fact, as stated by Mr. Brinkman, that rents generally have not gone down perceptibly in the past few years.

Mr. WHITEFORD. The committee and Mr. Lusk debated that. You said a moment ago you were satisfied from Mr. Lusk's report that a great many of these apartments showed the returns were very large. That report showed many of them were very small, also. We concede that there are many people who can not pay rent. There are plenty of people who have lost their jobs.

Senator COPELAND. Do you concede also that rents have not gone down perceptibly during the past two or three years?

Mr. WHITEFORD. No, sir. Mr. Lusk's figures show on the survey he made, and he has a lot more to be added, that over a period of two years they have gone down more than Government salaries

have been decreased, and the actual figures as he gives them in all these sheets show that.

The CHAIRMAN. In looking over Mr. Brinkman's report I see that the reductions are very small.

Mr. BRINKMAN. That is correct. On that point I desire to call attention to page 63 of my report, which, of course, I will come to. The Randall-Hagner Co. made substantial reductions to fill vacancies and reduced vacancies in its apartments from 23 per cent to approximately 17 per cent. My report shows that on the other hand the Rust Co., which has not made substantial reductions in some cases has a vacancy rate of 30 per cent, 27 per cent, 31 per cent, 28 per cent, and so on. Now, those figures are in the files of the committee and they can be produced here. Mr. Bowie, of that company, is here and those reports were submitted by his own company.

Mr. BOWIE. As of what date?

Mr. BRINKMAN. As of the date you filed them, October 1.

Mr. BOWIE. The reports were made to you.

Mr. BRINKMAN. Yes. Thirty per cent, 27 per cent, 31 per cent, 28 per cent vacancies. Your average vacancy as shown by your reports is 22 per cent. Those records are in the files of the committee. If there is any question about that I will be glad to bring down the statements, signed by the Rust Co. The situation may have changed since then, since they submitted these reports. This inquiry has resulted in some rent reduction, because tenants have been resisting these high rents. Rents have gone down a little since this inquiry began.

Senator KING. Mr. Brinkman, I would like to ask a question: Does the record show as to the proportion of houses rented by real-estate agents, who do not own them but represent the owners, and houses that are rented by the owners themselves?

Mr. BRINKMAN. I made no comparison of that kind. I centered my efforts on the real-estate agents, because the owners were scattered, but from information that came to me as a general rule where the owner himself managed the property he rented it quite fully—of course he made every effort to rent it.

Senator KING. You mean it is to the personal advantage of an owner to take charge of the rental of his own property?

Mr. BRINKMAN. If I were the owner of property I would not put it in the hands of a real-estate agent, because I would have to pay them 5 per cent commission, have to let him manage the property, buy supplies for it; pay in some cases 8 to 10 per cent discount on purchases for the property, let them fix the scale of rates, and if a prospective tenant is already a tenant of another member of the Real Estate Board, they will not accept him as a tenant. I will say it is a disadvantage in many respects for an owner of property to turn it over to real-estate agents.

Mr. WHITEFORD. Is that what you state, that the records of the Real Estate Board show some of them take 10 per cent themselves?

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. Who are they?

Mr. BRINKMAN. They are not mentioned specifically, but I will refer to the minutes if you will give me a little time. Here is one entry.

Mr. WHITEFORD. Some landlord has a perfectly good suit against an agent, if he does anything like that.

Mr. BRINKMAN. This is from the record of the minutes:

Secretary reported that Dr. Cline N. Chipman had phoned the office to inquire if it was unethical for a real-estate agent to charge a commission on repairs made in connection with property under his management. Doctor Chipman refused to give the name of the broker in the instance he described. His secretary was authorized to refer to the matter in the next issue in the Washington Realtor.

Mr. WHITEFORD. There is nothing to indicate the real-estate board approves of any such conduct.

Mr. BRINKMAN. No; I made no such statement.

Mr. WHITEFORD. It is most reprehensible, whoever does that.

Mr. BRINKMAN. We were talking about the real-estate agents in general. I said in view of the fact that some real-estate agents were making this charge, that was one of the reasons why it would be to the advantage of the owner of the property to rent it himself.

Senator KING. A real-estate man that does that ought to be expelled.

Mr. WHITEFORD. He would be expelled if we knew who he was. That certainly is not permitted, and it ought not to be permitted.

Senator KING. This introduces a subject you will reach a little later, but does the record show and do your examinations establish that the members of the real-estate board fix rents and try to establish a scale beyond which they will not go?

Mr. BRINKMAN. I can not say they do exactly, Senator, but as I get into this summary later on I will show what the effect of the Washington Real Estate Board's operations are.

The CHAIRMAN. You have a finding in there that covers that?

Senator KING. In view of the statement made by Mr. Whiteford just now, did you make any investigation of real estate persons who are not members of the board and if you did, did you ascertain whether their conduct was less ethical or less regular——

Senator COPELAND. Or more so.

Senator KING. Than the conduct of members of the board.

Mr. BRINKMAN. I would say they are all brothers under the skin, that they all behave about alike.

STATEMENT OF J. C. OLDEN

Mr. J. C. OLDEN. I represent the Better Citizens Bureau. I have made some further investigations with reference to the reduction of rent during the last week or so. I was to bring that further testimony to Mr. Brinkman, but they said they had closed reports on that matter.

I can give the facts to this committee; as far as I have been able to find out in the apartment houses and houses that are rented by colored people there has been an increase in rents in the last three years, and in some cases no reduction at all, possibly $2.50 or $3 reduction in an apartment.

Senator COPELAND. Does this cover a good many houses?

Mr. OLDEN. Practically all the apartment houses rented by the colored people in Washington.

Senator KEAN. How many houses have you investigated?

Mr. OLDEN. A study of 25 apartment houses.

Senator KEAN. How many?

Mr. OLDEN. We turned over a report on 25, rented by colored people; since then we have made a further investigation with the individual tenants. There is a man a block from me in an apartment which was turned over to colored people. There has been no reduction in the rent. When he rented that apartment they started to write his receipt for $22.50. They found the colored people had occupied the house and the agent told the girl to write the receipt for $32.50. They are renting it for that amount now. They have not reduced that rent at all. If they reduce it 10 per cent it will only come down to about $28.50, and that is $6.50 more than the original tenant paid before colored people went in there.

There is an apartment house at the corner of Thirteenth and Florida Avenue in which there has not been any reduction in rent at all. There is another we turned in at 512 U Street NW., where there has been no reduction. That rent has increased over 100 per cent during the time some of the people now living there can testify.

The CHAIRMAN. What period would that be?

Mr. OLDEN. It covers a period of 20 years that that rent has gone up over 100 per cent. When it was occupied first it was $22.50 a month. It went up to $60 and went back to $55, and it is $55 now.

The CHAIRMAN. There has been a reduction of from $60 to $55?

Mr. OLDEN. Yes, sir.

The CHAIRMAN. When did that reduction take place?

Mr. OLDEN. In the last two or three years.

Senator KING. Are any of those apartment houses owned by colored people, to which you refer?

Mr. OLDEN. No; they are owned by white people. Some have white agents and some have colored agents.

Mr. WHITEFORD. Does this building have more than one apartment—the apartment that you said went from $22.50 to $60 and then $55?

Mr. OLDEN. There are nine apartments in the building.

Mr. WHITEFORD. Do all of them rent on that scale?

Mr. OLDEN. They all rent on that scale.

Mr. WHITEFORD. All of them rent for that same price?

Mr. OLDEN. All of them rent for $55 except two.

Mr. WHITEFORD. Who is the rental agent?

Mr. OLDEN. I have forgotten his name, I have his name. One rents for $45; the rent was reduced to $45, and when the other tenants in the apartment found out that it had been reduced to $45, they asked for the reduction but they would not reduce it any more, and as far as I have been able to find our people have had very little relief.

Mr. WHITEFORD. 512 U Street?

Mr. OLDEN. Yes, sir.

Mr. WHITEFORD. You do not know who owns it or rents it?

Mr. OLDEN. I can give you the name.

2222 N Street has not had any reduction.

STATEMENT OF O. H. BRINKMAN—Resumed

Mr. BRINKMAN. That testimony is borne out by the statistics of the Bureau of Labor Statistics, who show the facts as to a large group of 750 apartments and houses.

Senator COPELAND. Number four:

That there are many thousands of people in Washington unable to regularly pay the excessive rents demanded, with resultant evictions, suffering, and hardship that justify Congress in declaring an emergency and regulating rent.

The later part of that is a conclusion of counsel. I do not follow that at this time.

Senator KING. No.

Senator COPELAND. I think we may easily pass over number four.

Mr. BRINKMAN. Those are only my conclusions, and if the committee adopted 1 of my 11 recommendations I would be happy.

Senator KEAN. You do not dispute there are a lot of people out of work in the District of Columbia.

Mr. WHITEFORD. Nobody denies that.

Mr. BRINKMAN. There are 45,000 unemployed here and about 10,000 or 12,000 families are being helped by various charitable organizations.

Senator COPELAND. Number five we are agreed about.

Mr. BRINKMAN (reading):

That the alley-dwelling situation in Washington is still a national disgrace.

Senator COPELAND. International.

Mr. BRINKMAN. I will accept the amendment.

Senator COPELAND. Number six.

Mr. BRINKMAN (reading):

That the figures submitted by the Washington Real Estate Board, showing low rate of return to owners on apartment-house properties are wholly unreliable and do not accurately reflect the actual profit.

Senator COPELAND. Do you have something in the record to show that?

Mr. BRINKMAN. I have something in my report to show that.

Senator COPELAND. In here?

Mr. BRINKMAN. In the report. There is a good deal in the report on that subject.

Mr. WHITEFORD. That is an opinion of yours, that they are wholly unreliable.

Mr. BRINKMAN. That is my opinion based on a study of them.

Mr. WHITEFORD. You do not mean to say, Mr. Brinkman, that anybody willingly or knowingly perverted the facts, do you?

Mr. BRINKMAN. I did not state that.

(A recess was then taken for 10 minutes.)

The CHAIRMAN. Mr. Brinkman, please resume your statement.

Mr. BRINKMAN (reading):

That the figures submitted by the Washington Real Estate Board, showing low rate of return to owners on apartment-house properties, are wholly unreliable and do not accurately reflect the actual profits.

Those figures were gathered by the real estate board through a questionnaire sent out by the board as to operating costs, and then they deducted the operating costs from the rentals reported for 1931 and 1932, and based the rate of return on the assessed value of the property. Mr. Lusk, who submitted the figures, is here, and if I make a misstatement I would like to have him correct me. The figures submitted showed a net rate of return, I think, for the year 1931 or 1932—I am not certain—of 4.7 per cent on the assessed value.

Mr. LUSK. For the year 1931 the figure was 4.9 per cent; for the year 1932 the figure was 4.6 per cent.

Mr. BRINKMAN. So that for one year the return was nearly 5 per cent, and for the succeeding year three-tenths of a per cent less than that.

Those figures were based on the answers of the real estate men themselves. I have talked with Mr. Lusk, and he states they were not audited, that is, no check was made of the books of the agents or owners to see whether the expenses included in the statement were actual operating expenses, or possibly should have been charged to capital account; that is, a man may have spent something on a building that was not a proper operating expense, or he may have repaired in one year and charged to that year's operating expense alone deferred repairs such as an entire new roof, or he may have repapered a whole apartment building, because he was not renting it, or he may have painted the whole thing. The returns were unaudited from that standpoint, and a glance at the returns show that they are unusually high. That is not a mere statement of opinion on my part.

I was furnished by Mr. James McD. Shea, manager of the Bliss properties here—they own a number of properties, large and small, throughout the city—with a statement of the operating costs of the Bliss properties over a period from 1912 to 1927. He promised to later give me the figures for the years to 1932, but I have not received them yet. Those operating expenses, the ratio to gross rents collected, averaged 34.2 per cent. That was without taxes and without the 5 per cent commission of the real-estate agent.

The figures submitted by Mr. Lusk show that 66.7 per cent of the gross rental income is going to operating cost. The statement of the assessor, and I would like permission to make that part of the record, after checking several hundred properties throughout the city, was that 50 per cent of the gross income or gross rental from the property is perhaps properly chargeable to operating exenses, but that 50 per cent, the other half, should be profit, or should be net income.

Now the figures submitted by Mr. Lusk are in excess of that, they are 66.7 per cent, which shows the operating expenses are heavily loaded with things not properly operating expenses, and that they reflect a high degree of vacancies. I think Mr. Lusk stated his figures showed 17 per cent vacancies; that is, of every hundred dollars rent the property should bring in, they were only bringing in $83, or something of that sort.

Mr. LUSK. The final figure is 15.4 per cent.

Mr. BRINKMAN. The figure that you submitted to me before was 17, was it not?

Mr. LUSK. Seventeen; yes.

Mr. BRINKMAN. That has gone down a little. When you have a building on which you are paying taxes, fuel, janitor, and the elevator man, and you have got 17 per cent, or in some cases as high as 30 per cent of the building, in some cases 50 per cent, vacant,

your operating expenses are out of all proportion to your gross income.

Mr. WHITEFORD. May I ask you a question?

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. You say the assessor told you that 50 per cent of the gross income equals the operating expenses, and upon that statement you base these conclusions you are making?

Mr. BRINKMAN. No. He has obtained it from the records of the rent commission, sworn statements of the real-estate operators themselves, and he has made an analysis which is in the record, or which will be put in the record, of how much is spent for coal, how much is spent for taxes, how much is spent for every other item, so there is no question about it. They are actual cases.

Mr. WHITEFORD. You would concede that even he could be wrong.

Mr. BRINKMAN. No; I think as a general rule Mr. Richards is about right.

Mr. WHITEFORD. Then you said a while ago the real-estate interests were incorrect in taking the assessed value as the basis upon which to compute their return, because the assessed value was the wrong value, it being computed on the basis of six or seven times the rent return, whereas the reproduction cost was less. You say Mr. Richards is wrong in his assessment on property in the District of Columbia, do you not?

Mr. BRINKMAN. Not at all. He is giving effect to what the owners themselves place as the value on their property. They sell the property at six or seven times the amount of the gross rent.

Mr. WHITEFORD. Do you contend the assessed value is or is not to high in the District of Columbia?

Mr. BRINKMAN. The assessed value for taxation purposes is not too high.

Mr. WHITEFORD. You contend the property owner should pay a tax on one value and get a return on another, is that right?

Mr. BRINKMAN. No.

Mr. WHITEFORD. You say it is not too high, and yet you figure the return on reproduction cost, which you say is somewhat less than the assessed value.

Mr. BRINKMAN. I contend the rent should be reduced. Then the assessment should be reduced, but until the rents are reduced the assessor should charge all the properties are supposed to pay.

Mr. WHITEFORD. Why not constitute your return on the assessed value, if you are going to tax on that value?

Mr. BRINKMAN. The assessed value is based upon high rentals, and not on the reproduction cost.

Mr. WHITEFORD. We made our computations on the basis of the assessed value.

Mr. BRINKMAN. I want rents reduced and assessments reduced.

Mr. WHITEFORD. You want them reduced regardless of what the return is on any value. That is what you want, is it not?

Mr. BRINKMAN. No, sir. I do not think anything is to be obtained by arguing with you about the matter.

Mr. WHITEFORD. You said our figures are totally unreliable, and you call attention to the fact that the computations are based on the assessed value. If you can not take the assessed value as a value, what other value can you take?

Mr. BRINKMAN. You can take the reproduction value. The Detroit Real Estate Board shows——

Mr. WHITEFORD. What do they know about the reproduction value of Tilden Gardens here?

Mr. BRINKMAN. The United States Bureau of Labor Statistics, or the Commerce Department—they show a very great decline in the cost of buildings—25 or 30 per cent.

Mr. WHITEFORD. Why should the assessment be based on the reproduction value?

Mr. BRINKMAN. I think it should be provided you reduce your rent.

Mr. WHITEFORD. You concede that on the rent basis the assessment would be too high.

Mr. BRINKMAN. I would not want to concede anything.

Mr. WHITEFORD. All right.

Mr. BRINKMAN. These properties are operating with a high rate of vacancies, and the operating costs are out of all proportion to the gross income, as shown by the statements of one of the principal apartment owners here.

Another thing about Mr. Lusk's figures—I do not know if I am correct, but I would like to ask him a question: Did you take an average of the rates of return; that is, we will say there were 30 apartment buildings showing rates of return 1 per cent to 10 per cent and add those together, strike an average, or did you get a balanced figure?

Mr. LUSK. The real-estate board would be very foolish to employ me to do that, if I averaged them. I got the total figure, the total assessment, the total expense, and got my percentage.

Mr. BRINKMAN. That is the point I wanted to clear up. After we had our last hearing Mr. Lusk submitted to me a statement in the form of a letter, and also orally, that showed if the vacancies had been eliminated what the return would have been after deducting depreciation, taxes, and outrageous operating expenses of all kinds—and the rate of return would have been 6.3 per cent for one year and 6.8 per cent for the next year, so that even using these figures that are not audited, the rate of return if the apartments had been rented would have been over 6 per cent in either year. I understand he had some more figures for another group of apartments. What did those show?

Mr. LUSK. They showed practically no change, except that we will have some figures to submit on this question of taxation.

Senator KEAN. No change in the rents?

Mr. LUSK. I mean in the percentages; that is, the second group showed no change over the first group, or practically no change.

Mr. BRINKMAN. I attempted to check some of the figures of some of the real-estate men. For instance, I went over with Mr. T. F. Schneider, jr., who was subpoenæd down here at our last hearing, but was not heard because of lack of time—we went over figures for a new apartment near Eighteenth and Columbia Road, the Melwood. We attempted to check the actual expenses of that building with the reply made to the questionnaire sent out by Mr. Lusk and the result was that I think Mr. Schneider then submitted a new return to Mr. Lusk, and he gave me three different sets of figures showing

operating cost. He had a terrible time figuring them out. I have the figures in my office, but they are all different.

Then we attempted to figure out the overhead cost of all his properties, and he found they had an item in there of $25,000 for his father, who renders no service to the company. I think he had $8,000 or $9,000 salary for himself, also.

Senator COPELAND. What company was that?

Mr. BRINKMAN. T. F. Schneider Corporation. We had trouble getting them to make any returns.

Mr. WHITEFORD. He owns the building?

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. You have made a statement about outrageous operating expenses, the word "outrageous" being, I suppose, your own adjective.

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. You never managed an apartment or operated a building yourself, did you?

Mr. BRINKMAN. No.

Mr. WHITEFORD. Do you doubt the accuracy of figures of any one of the rental offices that turned them into Mr. Lusk? Do you want us to understand any of those figures have been padded?

Mr. BRINKMAN. I would not like to say they have been padded. I would like to say they have charged in one year expenses which should have been charged in two or three years.

Mr. WHITEFORD. You said in your testimony a few minutes ago that might have been. Will you give us the name of any 1 or 2 or 3 of those, that we might call them and bring them here, just examining them for the accuracy of those figures? I do not think it is fair to characterize those folks as inaccurate, without telling us who they are.

Mr. BRINKMAN. I do not think it is necessary to do that, in view of the fact we have the admission of a large property owner that operating expenses amount to 34 per cent.

Mr. WHITEFORD. That is Mr. Shea—he is operating his own properties—the Bliss properties own these, and they are operating them themselves.

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. Now, then, you fixed him as a standard for everybody else; is that what you want to do?

Mr. BRINKMAN. Not only him, but the owners and operators mentioned or referred to in the report of the assessor, covering two or three hundred buildings, and the rent commission.

Mr. WHITEFORD. Do you doubt the integrity of the figures that have been submitted in Mr. Lusk's report?

Mr. BRINKMAN. I would not say, Mr. Whiteford, that they have been consciously padded. These agents and owners have submitted figures from their books, but they have not attempted to segregate the expenses charged to one year that should cover a period of two or three years.

Mr. WHITEFORD. Do you know that there are some that should be charged to two or three years?

Mr. BRINKMAN. I know it. I would have to get the figures from my office.

Mr. WHITEFORD. You said the expense of papering a house might have been charged, whereas you only paper every three or four years. You know that is entirely wrong.

Mr. BRINKMAN. I do not know that it is entirely wrong. I have the testimony of Mr. Richards.

Mr. WHITEFORD. Only papering an apartment in three or four years.

Mr. BRINKMAN. In some of the apartments, not that often. I have lived in an apartment that has not been papered for four or five years.

Mr. WHITEFORD. I have lived in them myself, but you have to paper them oftener than that.

Mr. BRINKMAN. You should, but you do not in this city.

Mr. WHITEFORD. You do.

Mr. BRINKMAN. Let us get the testimony of a reliable man, a judge of a United States court.

Mr. WHITEFORD. I lived in an apartment four years, and took care of it, like you did, and it did not need repapering in that time, but lots of people do not take care of it.

Mr. BRINKMAN. We have here in the report I submit the testimony of Judge Whaley, now of the United States Court of Claims, but formerly chairman of the rent commission of the District of Columbia. In that report is this statement——

The CHAIRMAN. When was this?

Mr. BRINKMAN. January 12, 1925. [Reading:]

> For the past six years landlords as a general rule have absolutely refused to make any repairs, to do any repairing, plastering, or papering. For the sake of squeezing the last dollar out of the property they have failed to furnish proper heat, and in many cases no heat at all.

Mr. WHITEFORD. That is a broad characterization that most anybody could make if he wants to take that side of it. You said you examined the Bliss properties, and there were 34 per cent; according to the questionnaire, this 34 per cent represented the operating cost.

Mr. BRINKMAN. No; I did not make that statement.

Mr. WHITEFORD. What was your statement?

Mr. BRINKMAN. I said that the average figures given to me by Mr. James McD. Shea, manager of the Bliss properties, showed an average percentage over a period from 1912 to 1927 of 34.2 per cent ratio in operating cost to gross income, exclusive of taxes, and with out including 5 per cent commission usually paid rental agents by apartment-house owners; 35 per cent in 1914 to 1915, for instance, and for the year 1922 the percentage was 29 per cent; and adding to those figures the figures for depreciation and 5 per cent commission and the taxes the total operating expense would be approximately 50 per cent of gross income.

Senator COPELAND. Is that in the record?

Mr. BRINKHAM. No; it is in the report. It is now in the record by my having stated it. If Mr. Bliss denies this, let him come here.

Mr. WHITEFORD. We have copies of the questionnaires, the figures sent to Mr. Brinkman, and I picked out the top one, the figures sent to Mr. Lusk. Here is 2701 Connecticut Avenue, which is one of them, where the figures you received show the year up to October 15, 1932—these figures show the operating cost is 70 per cent of the income.

Mr. BRINKMAN. I do not doubt it. Let me look at that.

Mr. WHITEFORD. All right.

Mr. BRINKMAN. That is fine. The first thing we find in this apartment building, consisting of 91 apartments, is that there are 22 of them vacant, 22 vacant in the building. That is about 30 per cent vacancy. No wonder the operating costs are high. Now, then, you find in that building salaries——

Senator COPELAND. Is it your contention that if you reduce the rent the houses would fill up?

Mr. BRINKMAN. That is shown by the experience of Randall Hagner. Randall Hagner reduced their rents, and they brought their vacancies down from 23 per cent to 17 per cent.

Senator COPELAND. Why do they not reduce them, if it has that effect?

Mr. BRINKMAN. Well, Senator, you will have to ask them.

Mr. WHITEFORD. It is incredible if the formula is so simple that you can make plenty of return by reducing the rent, that they would not do it. I do not see why he would carry a big vacancy if he could so easily avoid it.

The CHAIRMAN. We will take a recess for 10 minutes.

(A short recess was thereupon taken.)

Mr. BRINKMAN. I think, Mr. Chairman, it might be well to note when talking about the testimony of Judge Whaley, that he gave to the committee a very fine brief on the constitutionality of the rent act, which is contained in the hearing of Senate bill 3764, in the Sixty-eighth Congress, second session, before the joint subcommittee of the two Houses. The committee may want to refer to that later, as to the validity of laws to regulate rent. It covers the law thoroughly, and shows Congress has the power to regulate rent.

Mr. WHITEFORD. The Supreme Court of the United States is a little higher authority than Judge Whaley.

The CHAIRMAN. The point about Judge Whaley is that he is tied up with this problem, and he got some information that will be worthwhile.

Mr. BRINKMAN. The Supreme Court of the United States did uphold the validity of the rent act, and upheld an act in the State of New York, handled by Samuel Untermyer.

We were on the sixth point, whether the figures submitted by Washington Real Estate Board were reliable, and we covered a good part of that then.

In considering the figures submitted by the real-estate board attention should be called to the fact that in arriving at those net figures or net income they have deducted depreciation of 2½ per cent on the building; in other words, they had taken off from their net income 2½ per cent.

Senator KEAN. For depreciation?

Mr. BRINKMAN. For depreciation.

Senator KEAN. Had they taken that right along and calculated their income on that basis?

Mr. WHITEFORD. Two and one-half per cent is the rate of depreciation. That is lower down than the rate the Government allows you for income-tax purposes, and nothing for obsolescence has been figured in there.

Senator KEAN. If you take off 2½ per cent each year, naturally you get your capital down.

Mr. WHITEFORD. That figures your building is gone in 40 years, which is longer than the large number of them.

Mr. BRINKMAN. Less than 40 years, crediting interest on accumulations.

Mr. WHITEFORD. It is a good deal less than 40 years; probably 30 years.

Senator KEAN. Do you take off this depreciation in figuring out your value for the rents?

Mr. BRINKMAN. There is no such showing at all that they do that.

Senator KEAN. You take off 10 per cent from the value of your building, why, then, you only have to earn so much money on the decreased valuation.

Mr. WHITEFORD. It comes off. Father Time takes it off, and when the building depreciates, whether it is figured off or not, that element enters into it when the assessor assesses it, or when it is sold.

Senator KEAN. I never found the assessor would take it off. I have argued that very often. He says the building is worth what it cost, always.

Mr. WHITEFORD. That is not the basis on which they assess them here.

Senator KEAN. It is what they want to do with me.

Mr. WHITEFORD. There is not any question our assessments are plenty high here.

Senator KEAN. Not compared with mine.

Mr. WHITEFORD. We showed 12,000 housing units, and the tax we paid the District of Columbia amounts to 12½ cents out of every dollar rent received gross.

Senator KEAN. How would you like to own four houses in the center of New York, and you can not rent one of them for the taxes.

Mr. WHITEFORD. We have some here where they do not make the taxes at all, but I am taking the average of those 12,000 units. It is pretty high.

Mr. BRINKMAN. Have you any figures on those that are paying taxes?

Mr. WHITEFORD. Yes. The people are paying the taxes.

Mr. BRINKMAN. They are paying taxes, are they not? They are earning enough to pay taxes and operating expenses?

Mr. LUSK. A lot of them are not.

Mr. BRINKMAN. Let us see some of them.

Mr. LUSK. That is a partial list. When you run at a net loss you are not earning enough to pay taxes. You have got to pay them.

Senator KEAN. Yes; you have got to pay them.

Mr. WHITEFORD. There are two things that we have to meet and they are death and taxes.

Mr. BRINKMAN. On the point that Senator Kean mentioned, we have some flat buildings at Eighteenth and Bay Streets NE., owned by a subsidiary of the Saul Co., Franklin Investment Co., consisting of 132 flats, constructed in 1925 and 1926. They show a net return of over 7 per cent after deducting 2½ or 3 per cent depreciation.

They have been accumulating, according to that depreciation, at a rate of more than $10,000 a year for the last seven years, and allowing themselves interest on the amount they should have accumulated, they ought to have a depreciation fund of probably about $80,000. Nevertheless, in figuring their rate of return, which, as I say, amounts to more than 7 per cent, they have not taken off the depreciation.

They start out and finish with original cost, and that ignores the fact that those houses were built when prices for labor and material were at the peak. The figures in the record furnished by the Government departments show that building materials have come down approximately 25 to 30 per cent since those places were built, so that they are worth probably one-fourth less than when they were erected. You should figure your return on the reproduction cost less depreciation if you are going to figure depreciation at all, and on that basis they are returning more than 7 per cent.

Mr. WHITEFORD. When we had the rent commission, the argument was made, if I owned a building built in 1910 at a low cost, that I was entitled to a rate of return on that cost and that I could not get the high cost of reproduction as it obtained in 1918, 1919, and 1920. Now, then, when we built our buildings in the era of high cost, in the early nineteen-twenties, you come and say to us, "You made a bad investment when you built the building, and we will figure at the rate of reproduction cost." We took the assessed value, because we thought no one would seriously dispute the assessed value.

Mr. BRINKMAN. I will go into the Wardman properties, which were assessed at approximately $17,000,000, a little over. A few years ago some bankers had an appraisal made by a firm of engineers, and they showed a value of $28,000,000, compared with the assessment of $17,000,000. Now, the properties have been sold under foreclosure sale and the courts held the fair value of most of these properties, which had been assessed at $17,000,000, was less than $7,000,000, or $6,800,000.

Mr. WHITEFORD. No; the court did not hold the fair value of those buildings. The court refused to set aside that sale.

Mr. BRINKMAN. It held it was a fair sale price.

Mr. WHITEFORD. Because 94 per cent of the bondholders of the Wardman properties bid them in and offered to let the 6 per cent outstanding come into that committee and own them. It was not a question and it is not a question to-day when you sell property whether you can get its value. There are no bidders for any property, for properties like that.

Mr. BRINKMAN. Properties are not worth the assessments?

Mr. WHITEFORD. Not to-day, they are not.

Senator COPELAND. I do not know any reason in the world why the landlords of Washington expect they are going to make money when nobody else in the world is doing it.

Mr. WHITEFORD. The most of them are not.

Mr. BRINKMAN. Your figures show they are earning 5 per cent after allowing depreciation of 2½ per cent.

Senator COPELAND. I saw those tremendous sheets on the assessed valuation. There are only one or two in the red, and that ran as high as 12 per cent, but you know, really, I am not interested in whether these landlords are making money. I want them all treated fairly and in their distress to be on the same plane of distress.

Mr. WHITEFORD. Real estate is in this position: No man can own a substantial piece of real estate and have it clear of any incumbrances. You just do not own real estate that way. If you had $500,000 you would not buy a piece of property and pay for it in cash. All large rental properties have trusts or mortgages on them made by an insurance company or trust company. There is no way in heavens world that they can escape paying 5 or 6 per cent interest on their trusts and that interest rate was incurred several years ago. When you figure these properties have got to go on and pay that interest, if they do not they will lose them——

Senator COPELAND. I know that, and later on in the report Mr. Brinkman gets to that.

Mr. WHITEFORD. The landlord gets to it every six months when he pays his interest. Sixty per cent of the assessed value represents a fair mortgage, which is a fair way to approximate it.

Senator COPELAND. What percentage?

Mr. WHITEFORD. Sixty per cent of the assessed value. If that be true, then our figures show the property owner is getting less than 3 per cent on his equity.

Senator COPELAND. On his 40 per cent?

Mr. WHITEFORD. Yes; and as Mr. Lusk says, it is less than savings bank interest; it is less than Liberty bond returns.

Senator COPELAND. Do you not think he would be lucky if he got enough to pay carrying charges?

Mr. WHITEFORD. That is true. When you reduce the rent, you will have people that can not do it which will result in a series of foreclosures in the community.

Senator KEAN. Is not that true now?

Mr. WHITEFORD. We are getting enough. We have 28,000 homes advertised for taxes.

The CHAIRMAN. The part of the testimony that interested me was the statement as to the extent of this doubling up, that Government employees, families, and individuals were finding these rents were not coming down, and they were about the same as when their salaries were on a normal level; to save themselves great numbers of them were obliged to economize by doubling up, and they are continuing to do that. It seems to me that the owner and the agents overlook the great opportunity to increase the number of their tenants, and increase their income by reducing the rent.

Mr. WHITEFORD. I think that is true of a number of them. Mr. Bowie said that, as he testified the last day of the previous hearing, but it leaves many people, the people who write these letters, and the people who are out of work, are people who can not pay any rent at all. They are in a difficult position, and the rents that we are talking about for the most part, are the rents that most people can not reach at all.

Senator COPELAND. I will tell you of my experience. I just came from Michigan where I went to see my father. My sister and I

own some modest little homes and I asked her how she was getting along with the tenants. She said she cut the rent in two, in each instance, because by doing that she kept the tenant. They could not pay more than that, and if they had moved out because of the rental they had been paying, certainly she could not have rented the property to anybody else, because nobody else would pay it, but by making those reductions houses are occupied.

As the chairman said, it seems to me in view of this great crisis, as it is going to be worse after this Congress adjourns, we have got to do something to take care of these people, and the landlords have just got to face the situation. If they do not cooperate they are going to lose anyhow, because these people can not pay the rent. They will have to reduce them or they will move out.

Mr. WHITEFORD. We are reducing them. We have shown a lot of reductions, and experience shows it every day. Many of them are losing their property under foreclosure, anyhow, whether they reduce them or not.

Senator KEAN. In the city of Elizabeth, where I come from, there is a row of apartment houses that used to rent for from $55 to $60 a month. They had been getting it right along, but now they are down to $27.

Mr. WHITEFORD. If they have any trusts on the property they can not carry them.

Senator COPELAND. Would the people that are lending the money be willing to foreclose and take the properties over?

Mr. WHITEFORD. What they are doing, they are foreclosing many of them. They are meeting the landlords halfway in most cases and helping along. I had one this week where we had a trust due. It could not be paid and could not be repaid. We are taking it over and are trying to work it out.

Senator COPELAND. That is what I had in mind.

Mr. WHITEFORD. It means in a lot of those instances they can not get one per cent return on their trust, and the property owner loses his entire equity.

Senator COPELAND. Are they not willing to cooperate with these unfortunate property owners here?

Mr. WHITEFORD. Mr. Bowie represents an insurance company and they have done that; they have foreclosed. In most cases they are going along with some depending on the amount of the trust, and whether or not the property owner has milked the property.

Senator COPELAND. Does that mean they are reducing the interest rate?

Mr. WHITEFORD. They have to in order to keep it going.

Mr. BRINKMAN. Where have they reduced the interest rate?

Mr. WHITEFORD. I beg pardon. I thought you said the rate of rent. I do not know if the insurance companies have reduced it. I think they do not.

Senator COPELAND. When you say they are going along with those that own the equity, is that by reducing the rate of interest?

Mr. WHITEFORD. No, sir.

Mr. BRINKMAN. They are increasing the rate on some houses.

Mr. WHITEFORD. I have not heard of a single increase.

Mr. BRINKMAN. I will give it to you.

Mr. WHITEFORD. One swallow does not make a summer, but I am talking about the average. Take a property with $100,000 due to-day. If the holder says "I want my money," and can not get it and the property owner can not curtail it, they could foreclose, and bid it in at $100,000 and have $100,000 against the owner of the property and sue him for the deficit. They are not doing that. They will take it over and apply all the rents against the indebtedness and hope it will work out, but they have not touched their interest rate in a single one. I am talking about the big loans, because those are the only ones I have come in contact with. The interest rate is always 5½ or 6 per cent, is it not.

Mr. BOWIE. Yes.

Mr. WHITEFORD. In connection with the big housing units the loans are made principally by the insurance companies or the trust companies. The trust companies have made the loans and put the notes in various estates and investments are approved by the courts as assets of these various estates the trust companies represent.

Senator COPELAND. Do you believe Congress has the power in the District, say in an emergency which it has declared, to lower the rate of interest on such property?

Mr. WHITEFORD. I do not see how you could impair the obligation of a contract in existence.

Mr. BRINKMAN. There is only one thing sacred in this country, and that is "6 per cent."

Senator COPELAND. Do you think Congress has the power to reduce the rate of interest in an emergency?

Mr. BRINKMAN. Not on a contract already entered into, but I do think Congress has the power to fix a lower rate of legal interest. We can lower the rate of interest, the legal rate. There is no question about that in my mind.

Mr. WHITEFORD. It would be a question whether you could get the money at a lower rate.

Senator COPELAND. Could we lower it to 3 or 4 per cent on a specific loan?

Mr. WHITEFORD. A housing loan?

Senator COPELAND. Yes.

Mr. BRINKMAN. I would say you can not do that. It would be discriminatory. The law has to be general in its application.

Senator COPELAND. Your thought is it would drive the money away from the District?

Mr. WHITFORD. To-day if you wanted to build an apartment house and had to have a first-trust loan of $300,000 or $400,000, I do not think it would be humanly possible to get it. You could not get it on the Capitol to-day, hardly.

Mr. BRINKMAN. There came to me a builder, who built successful buildings, and I will give the name of this builder to the committee in executive session. He had plans and an option on property whereby he could have erected a building which would show a handsome profit in a neighborhood where apartments were renting well, and he stated to me he went to people who financed him previously and they refused. They said it would be a profitable building at the proposed scale of rentals which were lower than in other existing buildings, but they could not see why they should finance that and

reduce the rent on the buildings on which they held the mortgages. I will bring that man before you in executive session. He would not come down, because he said it would cut him off forever from finances. He could have rented that building at less than similar buildings were rented in the same neighborhood.

Mr. WHITEFORD. You mean he thought he could.

Mr. BRINKMAN. This man has built successful buildings in Washington, and they have brought in good returns.

Mr. WHITEFORD. I would not put a dollar in any buildings enterprise, and I do not think any other sagacious business man would.

Senator COPELAND. Suppose we were to reduce by law the interest rate in the District of Columbia, for instance reduce it to 3 per cent.

Senator KEAN. You would drive the money out of the District.

Senator COPELAND. What would be the effect, then, upon these loans which are already out, and when the expiration time came, what would happen then?

Senator KEAN. They would foreclose, of course, take the property.

Senator COPELAND. And you think that is what they would do?

Senator KEAN. Yes.

Mr. WHITEFORD. They could not renew them. They would lend the money somewhere else where the interest rate is higher, if they can find it.

Senator COPELAND. I assume you could not get any other loan, and they would have to foreclose.

Mr. WHITEFORD. Yes, sir.

Senator COPELAND. They could not get their money out, in money. They could protect their mortgages by foreclosure, but would they prefer to foreclose and take over the property than to take a lower rate of interest on the renewal?

Mr. WHITEFORD. I think they would, because then they would have the property, could operate it themselves. They could make that much; if they reduced the rate to 3 per cent, the property owner starts in six months ahead, and he may not pay that interest. He may take his money out of the property. He is six months ahead. I think you would drive the money out of the city.

Senator COPELAND. Then we have the right to assume as far as 60 per cent is concerned there is not any doubt of the capacity of the building owner to get money enough to pay that interest. There is enough income to pay the interest on the 60 per cent loan.

Mr. WHITEFORD. On the average, that is so. A lot of properties can not. They are operating at a loss, but that happens anywhere.

Senator COPELAND. Then what we would do about that is we would force these properties into bankruptcy. They would be taken over by these people that have loaned the money, and in all probability, the rental, however, would come down to the basis of 60 per cent loans which have been made.

Mr. WHITEFORD. I do not know that necessarily they would do that. They would figure a return on the fair value of the property.

Senator COPELAND. Even if they had taken it in on the 60 per cent basis?

Mr. WHITEFORD. I should think if they could get that; yes. If you and I had two buildings just alike, the rent schedule is the same, and you have a trust on yours due to-day, both the same size buildings—my trust is not due for five years; yours is foreclosed. The landlord wants his money, and he forecloses, takes it over; he says, "I foreclose this on Senator Copeland. I will cut these rents." What does he do to my property next door? I will be in the same fix you are, because I will not be able to pay mine. That is what would happen to that. The rent in that case would be less than what it ought to be, because the rent ought to be based on the fair value of the property, regardless of how much money a man has in it. If I were fortunate enough that my father had left me an apartment house free and clear of encumbrance, I ought not to get a less return on that than you do, that you have your money in.

Mr. BRINKMAN. It costs you less to live. You are drawing the same income. Everything has been deflated except interest, and if a man is still getting 6 per cent he is getting more than he used to get, because it costs him less to live.

Mr. WHITEFORD. He has his investment there; it has been made over a period of years. You can not change an investment overnight. You can not change the return just to meet the conditions every day.

Mr. BRINKMAN. The insurance companies, as I pointed out in this report, many of them, have already reduced their dividends to policyholders. They are only obligated to pay 3 or 3½ per cent on the accumulation of any premium. Many of them have reduced their dividends that have been in excess of that amount and nevertheless they have not reduced the rate of interest charged on loans as I have pointed out.

Senator KEAN. They have lost such a tremendous amount of money on the securities, which they have got to write down sooner or later. I could name an insurance company that has large amounts of stock, such stocks as General Electric and various things, which they thought were absolutely good. Their losses on those stocks are so tremendous and the decrease of dividends is so tremendous, some of the other companies are trying to come to the rescue to prevent them going broke.

Mr. WHTIEFORD. From the insurance companies' standpoint there is another very important feature which the general public does not stop to think about, often it is commonly said and has been for months—I have heard about it and it is one of the largest in the country, if not the world—for more than a year its policy loans have exceeded the premium income.

Senator KEAN. That is true of all.

Mr. WHITEFORD. That means loss of business. That business is gone. That means a tremendous loss, and they do not get interest on that money. The policies lapsed. That is gone and they have not the cash. Insurance companies are being bled by these policy loans.

Senator KEAN. That was going on up to August of this year. This year that situation turned so that they are now beginning to get more money in than they are paying out in loans. That is one of the hopeful signs.

Mr. BRINKMAN. We were on point six, the unreliable character of information furnished by real estate operators. I had mentioned the buildings controlled by the Saul Co. and owned by a subsidiary at Eighteenth and Bay, and showed they were figuring their rate

of return, which was more than 7 per cent on the original cost of those buildings; that the reproduction cost on the basis of Government statistics would be very considerably less than the original cost, because building materials have gone down 25 to 30 per cent and labor has gone down probably that much. While they show a return of only 7 per cent, using a correct figure and depreciating the figure, remembering they are deducting from their figure $10,500 a year for depreciation and have been doing that for five or six years; having built up a depreciation account of $80,000, approximately, between $75,000 and $80,000, figuring it on a depreciated value and the correct reproduction value, their return would be more than 9 per cent instead of 7 per cent as they show.

Senator COPELAND. I know you can now build property very much less than you could two or three years ago. I built a building three years ago and another this past summer. My cost on the second building was about one-third less than on the first one. There is not any question about that.

Mr. BRINKMAN. I have only figured one-fourth less.

Senator COPELAND. I might have been fortunate, but it was one-third less.

Of course, the practical thing here is can not the real-estate men suggest some practical or workable solution of the problem? They know what our burden is and what we are trying to do. Senator Capper had this on his heart a long time. The committee has been working on the strength of the resolution passed in response to his appeal. Is there not some way the real-estate men can suggest in which we can give relief to these distressed people in Washington? Is there not some way by the voluntary act of the real-estate men we might, beginning January 1, make a material reduction in those rentals, which are of interest to Government employees and working people in Washington?

Mr. WHITEFORD. It is taking place here. Mr. Bowie testified it was being done. It was being done in his office, but there are a great many people from whom we hear these complaints of distress that can not pay any rent. I know of people who are living in houses, in apartments, where they are not paying rent. They can not pay it. There are home owners who can not keep the homes. A man came in my office yesterday and asked me to loan him $200 to pay the little installment of interest due on his home, and it is a nice, great big home worth $20,000 odd. That man is suffering. He is in danger of losing his home for a few hundred dollars, but you can not do it by wishing you could. These property owners are in a jam. They are in difficulties, and have their properties on valuations and purchase prices that go back for several years. Many of them are losing them now. Their security is jeopardized, for a lot of these properties are not worth the trust.

Senator COPELAND. We are forgetting they are not only people that can not pay any rent, but there are thousands of families in Washington who are preserving their self-respect and paying rent, who ought not to pay, because, the income of these people does not justify the rental that they are required to pay. I had in mind a doctor. He is paying $200 rent and I happen to know about his circumstances. He ought not to be paying over $50. I do not mean his landlord should have to reduce it to that.

Mr. WHITEFORD. Those people will not go to a house or apartment where the rent is lower. They will not live there. They will not ride in Fords. They will not do it.

Senator COPELAND. I recognize that.

Mr. WHITEFORD. I was very much impressed by Mr. Bowie's statement the last time that competition is bringing those rents down. These hearings have had a tendency to help reduce the rent. Landlords have said "Reduce them; if they take my property they will have to take it."

Senator COPELAND. Sometimes there are conspiracies which are decent and proper conspiracies. If competition will bring down the rents, if it is recognized by property operators here the rents are going to be lowered, why is there not a general agreement made by the renters of property here that there shall be an immediate readjustment, not to wait for competition and attrition which will wear down the owners and ultimately reduce the rent—why could there not be a Godly conspiracy to make that readjustment now, in order that the people might benefit at once? That is the thing I have in mind.

The CHAIRMAN. Do you think, Mr. Whiteford, from the testimony we have taken, that every member of this committee is convinced there is no question that rents in the District of Columbia have not been reduced in line with the reductions in all the other cities in this part of the country, that these people here are paying too much rent?

Mr. WHITEFORD. If you will pardon me, you overlooked this fact. In comparison with other cities, which is indisputable, I assert from the figures on it, that our rent never increased like they increased it in other cities. They might have increased; we had a rent commission that did keep them down. That is what your appointing them did. That is what it did do, and to-day I assert this, without fear of contradiction, that if you had a rent commission, or if you gentlemen, yourselves, constituted a rent commission and were sitting to determine what rents ought to be in each given instance, you would be bound to a fair rate of return upon the fair value of this property. The effect of a rent commission would be in thousands of cases to increase these rents. It is true we are facing this kind of a condition: People are out of work and you have cut their salaries. Let me put it this way, without trying to be facetious at all. There is no reason why the landlords should help those that had their salaries cut, there is no reason more why the landlord should do this at his own expense, than the fellow who is selling a cup of coffee to the man that has not enough money to pay for it.

The landlord should be given a fair rate of return on his property, but he can not meet the emergency that exists for these people. This is not an emergency we had when the rent commission legislation was passed. There was a scarcity of houses in those days. People boosted the price. To-day there is housing, but the people can not pay for it at the fair value that is bound to be put on it, and if we had a rent commission to fix these rates, we would have difficulty and trouble, but hundreds of these would be raised. What do you care whether the return is high for the property owner when he is renting to men who pay $200, $300, or $400 a month rent.

Senator COPELAND. I sympathize very much with what you say, personally, and I am sure I speak for most of the committee in that. I should hate to see a rent commission. I do not want to see that, but I face this thing in my own mind. We have an emergency. It is not like the other one. It is the reverse of that. That was entirely different, because of the shortage of houses. We have an emergency. The Government has chosen to lower salaries. I did not vote for the bill. I am in opposition to that. However, that was done. Here these employees are, thousands of them, and the other thousands who work for them, the laboring people and the cleaning people, and so forth. There is a crisis here, a situation which to my mind is hazardous to the public health and hazardous to the public morals and public welfare generally. It must be met. What I would like to see would be a plan presented by the real-estate men that could be considered amicably and sweetly and nicely.

On this committee we are not fire eaters. You know that. We want to do the right thing, but yet it is our duty and our responsibility in view of the situation here to try and find some way to make it possible for decent people to live decently, to preserve their self-respect, to preserve their morals and to preserve the welfare of the community. There must be some way to do that.

Mr. WHITEFORD. The only way to do it from that standpoint is to reduce the rent. The question is how far can the rent be reduced and still a man hold on to his property at all. Mr. Lusk has analyzed those figures. He has been over them, and perhaps is more familiar than any man in the District of Columbia with that situation to-day, because he has spent weeks doing nothing else but working on these figures, and from what I have seen there are lots of instances where they can reduce them and are doing it, because competition is reducing them. It is doing it.

Senator KEAN. Competition is forcing a reduction but you voluntarily are not.

Senator COPELAND. That is the point we are getting at.

Senator KEAN. I believe that rents are higher in Washington than they are in any city in the United States to-day.

Mr. BRINKMAN. That is shown by these statistics.

Mr. WHITEFORD. That is true of a lot of things in Washington. The plane of living is higher in Washington than it is in lots of other cities.

Senator KEAN. Food is cheaper in Washington than almost any city.

Mr. WHITEFORD. I am glad that is so.

Senator KEAN. Food is cheaper. I have an experience to go by. My boss has kept a detailed account month by month ever since we have been married. She keeps a regular set of books on it.

Mr. WHITEFORD. I am the possessor of a farm. I have 1,000 bushels of corn that I can not give away. I have got 100 tons of alfalfa hay.

Senator COPELAND. You are going to seduce the chairman.

Mr. WHITFFORD. I have got twelve hundred and fifty bushels of apples in storage that I can not get to-day what they stand me to pick, sort, crate, and store. Of course food is cheap, and the reason it is cheap is evidenced by the fact the farmers do not own their farms any more. Their mortgages are being foreclosed. They

are being sold for taxes. Certainly we do not want the real estate of the city of Washington to be in that same position.

Senator COPELAND. If Senator Kean is right, that the rentals are higher here and the reduction is less than elsewhere, those facts must be founded on two or three factors, in the first place, that you are deliberately charging too much for your rents, or else your system of financing is wrong. If your system of financing is wrong, and it is wrong because of necessities under the laws, we ought to change those laws. It ought to be made possible for building operations in the District of Columbia to be carried on under just as favorable circumstances as in any other city in the United States and any other State in the Union. If your laws are not right, if these people who borrow money are paying exorbitant interest rates or commissions or these various holdup schemes, which are used by some landlords, we ought to know about that, and we ought to proceed with legislation to correct those things. Mr. Brinkman had anticipated that, but something is wrong. The rents are not being reduced as they ought to be, as they are elsewhere.

Mr. WHITEFORD. You are figuring it on a comparative basis, and the rents in Washington never went as high as they did in cities elsewhere.

The CHAIRMAN. I was going to raise that point. I was here all through that experience and through the agitation for a rent commission, a member of this committee. I gave the question a great deal of study. We had a commission not to be found in any other city, and rents were higher here then, generally speaking, than they were anywhere else, and this city was the only city that resorted to a rent commission, if I remember correctly.

Mr. WHITEFORD. They had one in New York.

The CHAIRMAN. There were very few cities that went as far as that. The rents were on a higher lever here than any other city.

Now, that rent commission undoubtedly did some good, and it did probably prevent further increases that were not justified, but it did not bring rents down below the levels of other cities. It might have brought them down almost on the same level, but it left the District of Columbia's scale of rents just as high as any other city, I think.

Mr. WHITEFORD. We have the figures right here.

Mr. LUSK. The figures of the Bureau of Labor Statistics. As I said, our rents did not go up like other cities. They have 19 cities in the group in which Washington is compared. There is not a single city where after the war rents did not go up more than in Washington. The highest our rents went up in the pre-war period was 32 and a fraction per cent.

The CHAIRMAN. That is not in line with the testimony we had before this committee.

Mr. LUSK. Here it is. May I put in the record figures showing how the rents increased in other cities.

The CHAIRMAN. Yes.

Mr. LUSK. Baltimore increased a maximum of 65 per cent, Boston increased a maximum of 52 per cent, Buffalo increased a maximum of 69 per cent, Chicago increased a maximum of 80 per cent, Cleveland increased a maximum of 80 per cent, Detroit increased a maximum of 108 per cent, Boston increased a maximum of 35 per cent. Our rents did not go up like the others.

Senator COPELAND. What is Washington?

Mr. LUSK. Thirty-two and five-tenths per cent. That is what the maximum of our increase was. We have not as far to go back to get on a level with these other cities.

Senator KEAN. How near are you getting it? The others have gone down at least 40 per cent.

Mr. LUSK. Eleven are now below and eight are above.

The CHAIRMAN. Have you studied those figures?

Mr. BRINKMAN. Yes. The effect of the figures is that rents have gone down here less than in other cities. Mr. Lusk's contention is they went up less than in other cities. The point is before they started to go up they were higher in Washington than any place in the country.

Mr. WHITEFORD. What proof have you?

Mr. BRINKMAN. The proof is in the statitstics submitted by the United States Census Bureau and by the Bureau of Labor Statistics, showing comparisons with other cities. That is in the record.

However, I would like to put in the record two tables attached to my report, one comparing Washington with 19 other cities—Baltimore, Boston, Buffalo, Cincinnati, Cleveland, Denver, and so on. It shows that in this city the people who pay rents of from $50 to $99 a month represent 32 per cent of the rent payers, whereas in Baltimore there are only 10 per cent of the people that pay that. Three times as many people are obliged to pay this amount in Washington as in Baltimore; in Boston, 20 per cent of the people.

Senator COPELAND. Let me ask you this question. Washington is not an industrial city. Is it comparable in its distribution of population to Baltimore and Boston and other cities.

Mr. BRINKMAN. I would say it is comparable with Boston, Buffalo, and some of the northern cities because they do not have the large proportion of colored people that are employed here at starvation wages.

Mr. LUSK. I made the survey two years ago for the Washington Board of Trade. We gathered in those figures from a great many cities. The only city in the country that had higher incomes in the various incomes in the various classes was San Francisco. Our average income was almost $1,600, and in San Francisco it was something over that.

When you go to Baltimore you can not compare the Baltimore rents for similar houses. It is an entirely different city. It is a cheap city.

Mr. BRINKMAN. They are twice as high.

Mr. LUSK. And we make twice the money.

Mr. WHITEFORD. You can not build a house here like you can in Baltimore.

Mr. BRINKMAN. I have looked at the houses in Baltimore and in Washington. I have looked at them in both cities, and I do not see a great deal of superiority here as compared with Baltimore. If the committee wants to go and look at them I am willing.

Mr. WHITEFORD. You get the builders.

Mr. BRINKMAN. This town is full of old, dilapidated houses.

Senator COPELAND. Are we up against the situation where the real-estate men are on one side of a stone wall, beyond which they will not go, and that we in our town are over the other side of the stone wall, and we have got to stay where we are or retreat or die? Are we actually at a point where the real-estate men are unwilling to present to us some plan of relief, or do they say there is no need or relief, and there is no plan? What is the situation?

Mr. WHITEFORD. So far as I can speak I can say this: The bulk of the people who have appeared here have been the real-estate brokers, because the contention has been made about them all the time. They have been the ones at these hearings, and it is for that group that I have appeared.

As Mr. Bowie said to you, there are a number of property owners to whom they have said they want to reduce these rents and they have tried to. They are getting them reduced. Competition is reducing them. The evidence is that real-estate brokers have reduced many of them. There is no disposition on the part of anyone to deny there are hundreds and thousands of people here to whom the payment of rent is forever a great difficulty. On the other hand, there is no room for contention that there are millions of dollars invested in properties here that are hazarded by the difficulty in collecting enough rent to pay the interest and taxes on the property.

The CHAIRMAN. That is true in any investment.

Mr. WHITEFORD. That is true in any investment, and it is just as true in real estate. Naturally, any man that has his savings, all he owns in a building, can not be blamed for trying to get enough to keep from losing his equity.

The effort of the real-estate man is to try to meet these housing conditions, to get this down, to intercede with the owners to reduce the rent as low as they can stand and hold on to their property. Many can not hold on to them. Nobody has a disposition to say this is a stone wall beyond which nobody can pass. We believe that the real-estate industry, so far as consistent with its existence, is going to meet this condition. They are coming down. There will always be thousands of people to whom the payment of rent is going to be a hardship. You can not house them for nothing.

Senator COPELAND. Is it possible that we have called the wrong persons? I do not remember if I got the impression in the committee or if I read it somewhere, that the real sinners are the owners; that they have not cooperated. I do not suppose you would care to commit yourself on that subject.

Mr. WHITEFORD. I do not represent them, but I do not think, broadly speaking, there is anybody that can be characterized accurately as a sinner in the situation. There are lots of people who are getting an exorbitant rent in various instances. There is no question you can pick out instances where it is high and, on the other hand, there is no question we can pick out hundreds of tenants who are rent-dodgers, professionals, almost. It is the middle ground where we get the picture. We have to consider the average tenant and the average property owner. I think there is just as much desire on the part of average property owner to be decent to his tenants as there is the desire of the average tenant to be fair to his landlord. I think that situation is working itself out. Those two fringes we can not do anything with.

Senator COPELAND. Let us exclude them and take the honest fellows on both sides.

Mr. WHITEFORD. In that group I do not believe the landlord is receiving an exorbitant return and I do not believe that for the most part the tenants are being hurt by their rent. We have got thousands of people who can not pay their rent, can not pay what they are paying, but these landlords can not provide them free homes and shelter and hold on to their properties. I know of a number of people that own properties. These Bliss properties, they own them themselves. Mr. Chester A. Snow also owns a lot of properties. They own this property and operate it themselves.

May I say this: Previous to the rent commission, we used to have men in Washington, men who had saved up their dollars who would buy a little house, save some more money and buy another—there were plenty of men in the years from 1900 on up to the rent commission who owned 10, 40, or 50 houses. They handled them themselves, and collected the rent. When the rent commission came those men sold the properties and refused to be put in the position that they were rent gougers and that they would not let anybody else tell them what their rent should be.

The day of that kind of property owner, who was good to his tenants, knew them all, has gone, and the Rent Commission had a great deal to do with driving them out. We have had those men who said they would not own rental properties. Those men were men who had those properties. There are a few men who own two or three houses, but I think generally speaking this situation is going to take care of itself, as to the average Government employee.

Senator COPELAND. I do not like to have you say it is going to take care of itself, for we are in an economic impasse in this country, and particularly in this city, that there is no possible means of relief, that we have just got to settle down and say it will take care of itself.

I read that article on technocracy, which seemed to indicate that we have got to reorganize society. If this committee should throw up its hands and say "We are licked; we can not do anything," of course the landlords here would face a strike on the part of tenants. If they look to us hopefully, and if we fail them, we accomplish nothing. If we accept the view of the real-estate persons represented here to-day in our hearings, you can not tell what might be the social effect. I do not mean to say that there would be a bloody revolution, but I think we have got to find some way in America to solve this economic situation or face a social revolution, and I am about the last man in the world to be a revolutionist. I think I am just about as conservative as most of them in the Senate, but this is an unpleasant situation here.

We have gone ahead, over the protest of my vote, but nevertheless the Congress set out on a system of reduction, and we are going to have more of these reductions. There will be more places left vacant, bureaus abolished, and the landlords of Washington have got to face the situation that they have got to show evidence to the people of a desire to cooperate and help, or must take the consequences.

Nothing would be more fatal to the landlords in this city than for this committee to throw up its hands and say, "We are licked."

Senator KEAN. The probability is the Government would build houses for its employees.

Mr. WHITEFORD. It is not a case for this committee to say they are licked. There are plenty of problems all over the United States of

which this is only a part. This situation here is just as true in every city in the United States as in Washington. It is as true of our farms and factories and business enterprises. It is just as true of business, no matter what guise it is under.

Senator KEAN. You have not come down.

Senator COPELAND. This committee, however, does not have to think of all that. Its problem is, What are we going to do in Washington? Is there anything we can do, or are we just defeated? That is the problem that faces the committee.

Mr. WHITEFORD. I do not agree with you that that is your problem. You do not want to do something that legally and economically can not be done. You do not want to force on the landlords of Washington the necessity of housing the Government employees whose salaries you have found it necessary and appropriately to cut. You do want the rents to be reduced as far as the landlords can reduce them and still hold on to their properties. You would not want them to lose any more than you would want the Government employees to lose their savings and their property.

Senator COPELAND. Without meaning to dodge your question, let me return to what Senator Kean said; it would be an unfortunate thing for the landlords of this District to make the Government proceed to build houses and facilities for its people, would it not?

Mr. WHITEFORD. Yes; and I think it would be an uneconomic thing to do. You tried it in the Government hotels. The Government can never enter into an enterprise, if it were charged the same interest and taxes—the Government could never compete with any private concern.

Senator COPELAND. I want to point out to you the Reconstruction Finance Corporation agreed to advance the money for the building in the Bronx of New York City certain low-priced tenements. I do not say I approve of that. I am not expressing any opinion on the matter, but yet the plan appealed sufficiently to that corporation that they proposed to advance the money.

Mr. RUSH. The plan did not eliminate or take care of the low-priced housing. That plan was new construction, 2,500 units at $11 per room. There are 30,000 to 40,000 vacancies existing in that same area in that price range or less, and they are not overcoming the situation. They are creating further vacancies.

Senator COPELAND. As I say, I do not express any opinion about it.

Mr. WHITEFORD. Mr. Lusk made some computations of rent reductions, which show how the figures stand, which might give you an idea of what a reduction would do.

Mr. BRINKMAN. Mr. Rush mentioned $11 a room in New York. The statistics furnished by the Bureau of Labor statistics show that the figure here is $13.29.

Senator COPELAND. As against the proposed $11 in New York?

Mr. BRINKMAN. Yes.

Senator COPELAND. Our friend said there were plenty of those apartments in the Bronx.

Mr. RUSH. Yes; that is true.

Mr. LUSK. In connection with what reduction can take place, and that is may take place and perhaps more, if we take the gross income of the building, we have the figures for this year, and subtract from that the interest that has to be paid, and then put in a

fund returns of 7 per cent, there would not be any net income to these buildings at all. Let me qualify that by saying that takes into account depreciation.

Mr. BRINKMAN. And does not take into account vacancies.

Mr. LUSK. I am talking about the actual income.

Mr. BRINKMAN. In other words, you are talking about a condition where there are 17 and 18 per cent vacancies.

Mr. LUSK. Yes; I am talking about conditions that exist now, if the rents are reduced about 21 per cent, you could forget all about depreciation, could not charge a cent, and there would not be any money to pay the interest. These properties on the average would go to the mortgagees.

Senator COPELAND. Is this the conclusion of the matter, then? Could you add to what you say, "Therefore, we can not reduce the rents"?

Mr. LUSK. I do not say that. We may be forced to reduce them more than 21 per cent, and the New York Life and the Prudential would be owning a good many apartments in Washington.

Mr. WHITEFORD. Senator Capper's statement about rent reduction, based upon his résumé of the figures we had, or that Mr. Brinkman had, was that rents had been reduced in the aggregate about $1,500,000 since these hearings started, which justifies the existence of the hearing.

The CHAIRMAN. Less than 5 per cent.

Mr. WHITEFORD. Our figures show they have been reduced just short of 10 per cent.

Mr. LUSK. It is 10.5 per cent.

Senator COPELAND. The conclusion of the whole matter is that you have reduced the rents $1,500,000, which justifies our existence, and therefore we should ask to be discharged.

Mr. WHITEFORD. I think you have done pretty good work.

(The tables submitted by Mr. Brinkman are as follows:)

TABLE 1.—*Monthly rental of all rented nonfarm homes listed according to rent paid*

[Per cent figure in 6 groups totaling 100 per cent]

City	Monthly rental					
	Under $15	$15 to $29	$30 to $49	$50 to $99	$100 and over	Not reported
Baltimore	11.4	40.5	31.2	10.4	2.5	4.0
Boston	4.4	31.0	41.0	20.2	1.7	1.7
Buffalo	5.0	35.4	39.4	16.2	2.1	1.9
Cincinnati	16.8	41.5	23.8	14.2	2.0	1.7
Cleveland	4.6	31.2	43.8	17.8	1.5	1.1
Denver	12.6	36.7	31.6	14.1	1.3	3.7
Indianapolis	12.1	41.9	30.5	13.2	1.2	1.1
Kansas City	10.0	32.8	37.2	16.2	1.5	2.3
Los Angeles	3.6	27.3	44.6	19.2	2.8	2.5
Milwaukee	3.4	28.0	40.8	25.1	1.9	.8
Minneapolis	4.9	33.4	39.3	19.4	1.4	1.6
New Orleans	21.2	52.0	18.1	7.3	1.0	.4
Omaha	12.2	35.4	32.3	16.1	1.3	2.7
Philadelphia	4.6	29.4	44.5	16.9	3.0	1.6
Pittsburgh	5.8	32.4	33.4	22.5	5.1	.8
St. Louis	10.5	34.6	34.4	17.3	2.3	.9
St. Paul	8.3	37.9	37.3	14.8	.8	.9
San Francisco	3.0	22.2	42.7	22.9	2.9	6.3
Seattle	5.7	36.9	36.7	17.0	1.2	2.5
Washington, D. C	3.6	18.6	36.0	32.6	4.9	4.3

TABLE 2.—*Owned nonfarm homes listed according to value*

(Per cent figures in 7 groups totaling 100 per cent)

City	Under $1,500	$1,500 to $2,999	$3,000 to $4,999	$5,000 to $7,499	$7,500 to $9,999	$10,000 to and over	Not reported
Baltimore	1.4	14.1	37.5	27.5	7.1	10.1	2.3
Indianapolis	2.7	15.0	30.9	28.0	9.4	13.0	1.0
Kansas City	2.3	10.3	28.5	31.4	10.6	15.9	1.0
Milwaukee	.7	5.4	22.9	35.6	18.5	15.8	1.1
Minneapolis	1.6	8.5	29.2	37.3	10.6	12.1	.7
St. Louis	2.1	8.4	22.6	28.1	16.2	21.6	1.0
Washington, D. C	.6	2.3	7.3	20.5	26.1	41.1	2.1

The CHAIRMAN. We will adjourn until Tuesday at 10.30 o'clock a. m.

(At 2.10 o'clock p. m. the committee adjourned until Tuesday, December 20, 1932, at 10.30 o'clock a. m.)

RENTS IN THE DISTRICT OF COLUMBIA

TUESDAY, DECEMBER 20, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper (chairman) presiding.

Present: Senators Capper (presiding), Kean, and King.

Present also: O. H. Brinkman, Esq., counsel on behalf of the committee; Roger J. Whiteford, Esq., counsel for the Washington Real Estate Board.

STATEMENT OF O. H. BRINKMAN—Resumed

The CHAIRMAN. Proceed, Mr. Brinkman.

Mr. BRINKMAN. I had not finished the topic when we concluded on Saturday.

We were discussing the unreliability of figures submitted by the real-estate men and the fact that they did not reflect the profits made.

On that point we can cite a couple of individual cases that bear on the question of profits of apartment properties:

There is first the case of the apartment property at 120 C Street NE., near the Capitol, built a few years ago by Charles D. Sager. I have asked him to be present, and he is present.

Mr. SAGER. I am here.

Mr. BRINKMAN. The property was built, I think, in 1928, and a prospectus was issued at that time, probably for the purpose of selling the property. I have the prospectus here [indicating].

The property is called Senate Courts, and it showed an annual rental of $41,210 per annum at that time, and the net income was $23,345.

Mr. Sager has submitted to me a statement of the present rentals, and apparently those rentals have not gone down. I think in some instances the rents have been raised a little bit, probably on account of the installation of Frigidaire.

I find, for instance, that four rooms, kitchen, bath, apartments rented then, in 1928, for $87.50, and they are still listed at $87.50 at the present time, and so on through the list.

The CHAIRMAN. Have you been able to form an opinion as to what percentage of the apartment houses in Washington have reduced their rents in the last year?

Mr. BRINKMAN. In the last year perhaps the majority of them have been forced to make some reductions, but in many cases they have been slight. There are a considerable number that have not been reduced at all, but it would be hard to say what the percentage is. There are quite a number that have not made reductions, but the probability is the majority of them have made some slight reductions. In the case of some of the apartments that were overpriced very considerable reductions have been made, because the apartments were from one-third to one-half empty.

The CHAIRMAN. Are those the better class of apartments?

Mr. BRINKMAN. Those are the higher-priced apartments, and do not affect the majority of the people here in the District of Columbia at all. They affect a small class here that were able to pay up to $400 a month, up to the depression. Now, they have suffered losses in investments and have had to seek cheaper quarters. Those high-priced apartments have been half empty, and therefore they have been reduced. The lower-priced apartments do not show anywhere near those reductions. I will go into detail on that later.

This particular apartment is located near the Senate Office Building. It is occupied by some of the people that work for the Senate, who have suffered salary reductions, and shows gross collections in the year 1931, three years after it was built, of even more than it rented for in the first place.

I have here a statement given me by Mr. Sager. It shows $41,920.96 gross rents instead of $41,210. That was more income than was shown up to a year ago, and in submitting the statement, I call attention to the fact that this bears on the question of the reliability of the figures submitted by the real estate men. The net income is shown as $12,965 on this statement submitted by Mr. Sager.

The fact is that that is after an allowance of $9,900 interest on the first trust and $810 interest on the second trust, or more than $10,000 has been deducted for interest, so that that really is a part of the net income of the building. That has been taken out of the real earnings of the building.

There has been a deduction of $4,900 for depreciation, and Mr. Sager, although he handles the building himself and collects the rent, collected nearly $2,100 in commissions, at the rate of 5 per cent, and that is, in reality, paid to himself and his own employees. So that, figured on the right basis, the income on the property, instead of being approximately $13,000, is more than $23,000.

Senator KING. What was the cost of the building?

Mr. BRINKMAN. The cost of the building is a matter that I can not state positively. I have asked Mr. Sager to tell us what that cost is, and he will submit some figures on that. I asked him in his office what the cost was, and he said he did not feel he ought to have to disclose that, that possibly the Government will want to buy the building some time, and that he really did not think that was a matter that had to be disclosed, so I did not insist on it.

He shows the price in the circular of $285,000, which probably included a profit, because he built the buildings, but——

Senator KING. If he had had somebody else build it, I suppose he would have had to pay a commission, would he not, pay them some profit?

Mr. BRINKMAN. Yes; he was entitled to a profit if he sold it. I do not think the price of $285,000 represents the cost of the building.

I will show what the rent of that building actually is.

The CHAIRMAN. Is that included in Mr. Lusk's report?

Mr. LUSK. I am going to find out now.

Mr. WHITEFORD. Did you send it in to Mr. Lusk?

Mr. SAGER. I do not know about that. The bookkeeper would attend to that. It is 120 C Street NE.

Mr. LUSK. Yes, sir; we have it.

The CHAIRMAN. Give us the figures you have as reported by Mr. Sager.

Mr. LUSK. Rents actually collected in 1931, $44,920.96.

For the first eight months of 1932, $27,358.10.

The return on the investment value after deducting the operating costs, not including interest for 1931, was 8.6 per cent; for the first eight months of 1932 it was 8.6 per cent also.

The total investment is $259,886.

Senator KING. That is the land and the building?

Mr. LUSK. Buildings, $245,000, and the land is $14,886.

Mr. BRINKMAN. If you would add to the net income the amount Mr. Sager has paid his own organization, you find that the net return is approximately 9 per cent on the assessed value. That is on the basis of the sales price of $285,000. However, the assessment is only $260,000; and if you reduce that by the approximate amount—materials have come down in the last two years—the decrease in the cost of building and the depreciated worth of the property, and allow the figure of $200,000 for the reproduction cost less depreciation, you find that, even after allowing $5,000 to be charged off for current depreciation, you get a return of nearly 13 per cent on that building.

Now, that is not an unreasonable way of figuring it, because Mr. Sager, in getting up this circular, showed a net return of $23,345, which is practically the same as the figure I have used, $23,000, which is the net income.

He shows printed here on the circular a percentage on equity of 20.3 per cent, so that when I say the net return on that building is really 13 per cent a year, I am understating Mr. Sager's figures as to the percentage on the equity.

He says he will make 20 per cent on the equity, and he has kept the rents at a figure to make that amount.

Mr. Sager, if you would like to say anything, the committee would be glad to hear you.

STATEMENT OF CHARLES D. SAGER, REALTOR AND BUILDER, WASHINGTON, D. C.

Mr. SAGER. My name is Charles D. Sager.

Senator KING. Mr. Sager, do you want to differ from the statement submitted by Mr. Brinkman, and, if so, in what respect?

Mr. SAGER. I have here a statement gotten up from our books that will show the exact return for the year 1931, and that portion of the year 1932 that has been dealt with.

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Mr. BRINKMAN. I have those statements already, I think. Are those the same?

Mr. SAGER. No. Here is a complete statement taken from the books, if you care to have it.

The CHAIRMAN. What is the date that you got out that printed literature, Mr. Sager?

Mr. SAGER. That was gotten out by my manager in the sales department.

The CHAIRMAN. At what time?

Mr. SAGER. I should say about the year it was finished.

The CHAIRMAN. When was that?

Mr. SAGER. In the year 1928.

Mr. BRINKMAN. Mr. Sager, you have not reduced rents there, have you?

Mr. SAGER. I have in the $87.50 class. I reduced those rents to $85.

Mr. BRINKMAN. When?

Mr. SAGER. In this year's lease.

Mr. BRINKMAN. Practically all the rents are the same as they were in the beginning?

Mr. SAGER. Yes. In the beginning I rented that building, beginning—when I started to tear down the old houses—I did not plan then on putting in many of the improvements that I did. I later decided on considerable equipment that was not included in the plans. I rented those 3-room-and-bath apartments for $57.50, taking effect as of June, when the building was built. In October, when the leases were renewed, I did not increase the rents one penny. I gave them permission to re-rent at the same price for an additional year, which I think 100 per cent of my tenants did. Those rents have been kept at the same price.

The following year I increased the rents on the 3-room-kitchen-and-bath apartments.

The CHAIRMAN. What does your report show is the net earning of the apartment?

Mr. SAGER. For the year 1931 my report shows 8.74 per cent.

In 1931 I have had scarcely no redecorating. The redecorating of the apartment was done in 1930. This year comes the redecorating period, and every apartment is being painted and redecorated.

In the 1932 report it shows an increase in returns because of the fact that the redecorating has not been taken into consideration. It shows 9.9, and practically none of the redecorating has been charged to that building this year.

Mr. BRINKMAN. You have had 10 per cent return this year?

Mr. SAGER. So far.

Mr. BRINKMAN. You show here on this statement the cost of the building and ground as $264,000. You know, as a builder, do you not, that materials and labor have gone down?

Mr. SAGER. I only know by report. I have not built anything in the past 14 months.

Mr. BRINKMAN. The United States Labor Bureau of Statistics show that costs have gone down 25 and 30 per cent.

Mr. SAGER. I have no doubt.

Mr. BRINKMAN. And in any event you charged off in your statement depreciation of $5,600 a year. Your statement shows a deduction of $5,600.

Mr. SAGER. I think that is in accordance with your statement when you were in the office.

Mr. BRINKMAN. I am not talking about that. For four years your deduction of depreciation would be four times $5,600, or $22,400, approximately; deducting that from your cost shown here of $264,000, you would have approximately a present worth of the property, without taking into account the lesser value on account of decrease of materials and labor—you would have a cost of about $242,000. Is that right? And if the committee will give me a minute I would like to make a calculation here.

Now, you show interest on the first trust of practically $8,500, and then interest on the second trust of $600, practically $9,000—adding that to your net income of $8,000 makes $17,000 as the income of the building after deducting depreciation and all the operating expenses.

Mr. SAGER. We show there the total income and then the charges against that. Then you have another deduction.

Mr. BRINKMAN. Then you have deducted $1,600 commission to yourself. You pay that to your own organization.

Mr. SAGER. That is right.

Mr. BRINKMAN. That is part of your own income and raises the income to 18.

Mr. WHITEFORD. Do you not think it takes an expenditure of money to collect rent?

Mr. SAGER. There is no office charge against the bill.

Mr. BRINKMAN. That includes your charge?

Mr. SAGER. That is what we would have had to pay another office.

Mr. BRINKMAN. In the statement you submitted to me for 1932, up to November 1, you show, instead of a net income of $8,000, on the statement, you show a net income of nearly $10,000—$9,966. That is why I wanted to point out to the committee you can not depend on any of the figures submitted by the real estate men here.

I desire to show you the two statements made up by Mr. Sager, and the only way I could ascertain what the actual income has been in the case of any building, or any of these buildings, would be to make an audit with a certified public accountant, of their books, because here is a discrepancy of $1,800 in two statements for the same property, submitted by the same real estate owner.

Senator KING. Can you make an explanation?

Mr. SAGER. I can not, because I did not make the statements. My bookkeeper made them, and I am not acquainted with that. I had my books open here on two different occasions.

Senator KING. I would suggest, if you care to, after examination, to make an explanation.

Mr. SAGER. My books are open, that is, since about the completion of the building. At that time I had a new system of books put in by the Remington-Rand people. My books are open to anybody that desires to make an audit.

Senator KING. I would suggest, if you care to, after consultation with your bookkeeper, to make any explanation you can.

Mr. SAGER. I will be glad to have him do that.

Senator KING. If there is any discrepancy, and I am not passing on that.

Mr. SAGER. I imagine that is brought about by a different way at looking at the costs. I do not know about that.

Mr. BRINKMAN. You show the cost of the building as $225,000. Is that right?

Mr. SAGER. That I can vouch for.

Mr. BRINKMAN. Did that include a builder's profit?

Mr. SAGER. No, sir. Not one dollar is charged to that for my supervision, and I have been on the job every day twice.

Mr. BRINKMAN. Was that cost put in your income-tax return for 1928?

Mr. SAGER. Yes.

Mr. BRINKMAN. That is the cost we will find there, if we examine that?

Mr. SAGER. Yes.

Mr. BRINKMAN. And including no builder's profit?

Mr. SAGER. No, sir; not one cent.

Mr. BRINKMAN. Do you not know, as a matter of fact, it costs less for brick now, and cement and lumber?

Mr. SAGER. Yes.

Mr. BRINKMAN. So it would cost you less than $225,000 to put up that building?

Mr. SAGER. It is not $225,000.

Mr. BRINKMAN. Do you know how much less it would cost?

Mr. SAGER. No.

Mr. BRINKMAN. You do admit this circular shows a return of 20.3 per cent, and this return was put out by your organization?

Mr. SAGER. Yes; that is right.

Senator KING. Have any of your tenants, Mr. Sager, during the past year asked for reduction in rent?

Mr. SAGER. Yes, there were, Senator. There were several of them. I have a good many tenants in that building that have been there since it was completed; as a matter of fact, before it was completed.

Senator KING. Did you grant any requests?

Mr. SAGER. I did in the larger apartments, 6-room-and-bath apartments.

Senator KING. What do you rent those for now?

Mr. SAGER. $85.

Senator KING. Six rooms and bath?

Mr. SAGER. Yes.

Senator KING. What is the character of the other apartments, three rooms and bath?

Mr. SAGER. Yes, three rooms and bath. The two rooms and bath rent for $47.50 a month, which includes the equipment of a Murphy bed and dining alcove.

Senator KING. Three rooms and bath, how much?

Mr. SAGER. $62.50.

Senator KING. Would there be a little hall there?

Mr. SAGER. An entrance hall.

Senator KING. An entrance hall?

Mr. SAGER. Yes; a reception hall. It could not be called a room.

Senator KING. That would be, then, substantially $20 a room, with a bath thrown in?

Mr. SAGER. Yes, sir; that is the most expensive room, however.

Senator KING. I understand.

How do those rents compare with the average rents throughout the District?

Mr. SAGER. The rents in the more fashionable buildings, lower. My rents, I think, compare with those of the apartment house which is just beyond. I have a better-equipped building than that apartment.

Senator KING. You furnish, for these rents, lights, do you?

Mr. SAGER. Just for the hall.

Senator KING. And heat?

Mr. SAGER. Yes.

Senator KING. Hot water?

Mr. SAGER. Vapor; the principle is the same as hot water.

Senator KING. You have hot water in your bathrooms?

Mr. SAGER. Yes, sir.

Senator KING. They have heat, hot water included?

Mr. SAGER. Yes, sir.

Senator KING. And light in the hall?

Mr. SAGER. Yes, sir.

Senator KING. Refrigeration on the house current?

Mr. SAGER. Yes, sir. Those apartments are nicely equipped. They have shower baths; as nicely equipped as the average apartment.

Senator KING. How many apartments are there in the building?

Mr. SAGER. Fifty-four.

Senator KING. Is it a brick building?

Mr. SAGER. Yes; 5-story, fireproof, and then there is elevator service furnished there.

Senator KING. That is furnished free, of course.

Mr. SAGER. Yes.

Senator KING. You say that is furnished free?

Mr. SAGER. Yes.

Mr. WHITEFORD. Do you operate a switchboard?

Mr. SAGER. No.

Mr. WHITEFORD. Any vacancies?

Mr. SAGER. Four vacancies now.

Senator KING. Have you had any difficulty in renting your apartments?

Mr. SAGER. Up to this fall I never had a vacancy.

Senator KING. I suppose your buildings are, by reason of their proximity to the Capitol, more inviting than in other parts of the city.

Mr. SAGER. My tenants mostly are secretaries to Congressmen.

Senator KING. Have you any other information you desire to impart?

Mr. SAGER. I have a detailed statement on these sheets here.

Senator KING. Since there seems to be some discrepancy, as indicated by Mr. Brinkman——

Mr. SAGER. That is not on the cost; that is on the statement of the income.

Senator KING. Does that statement of yours agree with the statement which was handed to Mr. Brinkman?

Mr. SAGER. Absolutely.

Senator KING. There would be no necessity, then, of duplication. Proceed, Mr. Brinkman.

Mr. BRINKMAN. You have detailed a number of expenses and you have deducted those in figuring your net income. You have allowed those—elevator, fuel, and everything else.

Mr. SAGER. Yes. I do not see very much of my income. It is very much less, you know.

Mr. BRINKMAN. What happens to your income from this building? Your own statement shows $10,000.

Mr. SAGER. I pay $6,000 curtail on the first trust.

Mr. BRINKMAN. Who holds the first trust?

Mr. SAGER. The New York Life Insurance Co.

Mr. BRINKMAN. Who is the agent?

Mr. SAGER. Randall Hagner. I think that is a point that should be borne in mind in the apartment-house proposition, that has not seemed to come out in this hearing. I do not think 2 per cent of the apartments now that are not subject to curtail on the first trust—that makes it more difficult to the owner to meet his expenses—they have to have a curtail.

Mr. BRINKMAN. Did they state why they had to have a curtail? Here is a real profitable building. Why did they want to have that curtail?

Mr. SAGER. It seems to be a general practice now.

Mr. WHITEFORD. What is the amount of the trust?

Mr. SAGER. Originally $175,000.

Mr. WHITEFORD. $175,000?

Mr. SAGER. Yes. It has been paid down now to, I think——

Senator KING. If you borrow at the bank you have to make a curtail in order to meet a renewal; that is, if you want to get a renewal.

Mr. LUST. It is $165,000.

Mr. WHITEFORD. That is four times your gross rent.

Mr. SAGER. Yes.

Mr. WHITEFORD. Is that right?

Mr. SAGER. Yes.

Mr. BRINKMAN. You are paying for the building out of the profits of the building.

Mr. SAGER. I do not feel that way about it. I think that is added to your loss.

Senator KING. Has there been a depreciation in the value of real estate in Washington in the last few years?

Mr. SAGER. Yes.

Senator KING. If you want to buy a house, is that depreciation reflected in the demands of the landlord?

Mr. SAGER. I could cite one particular case that I think you are familiar with, that I would be glad to take a handsome loss on.

(Informal discussion followed, which the reporter was directed not to incorporate in the record.)

Mr. BRINKMAN. I have asked Mr. Cafritz to be here for a while. Mr. Cafritz is a builder of both houses and apartment houses. He is quite a large owner of property. I asked him to submit a statement on the Miramar Apartments on Rhode Island Avenue, built two or three years ago. It is a comparatively new building, well located, near the downtown section, and was fully rented for some time, I believe, or almost fully rented.

Mr. Cafritz submitted statements which I have here, on the Miramar, showing expenses of $96,000. That included $14,000 deduction for depreciation at 2½ per cent, and then at the bottom of the sheet he showed a cost of $742,360.23. On that cost he showed a return of 1.7 per cent, which certainly is not what you would call a handsome return, but when you glance at the expense statement you notice Mr. Cafritz, in addition to the $14,000 depreciation deduction, which is legally deductable, has deducted $35,000 for interest, so that in figuring 1.7 per cent return he had failed to figure that he has also been paying somebody 6 or 6½ per cent on the equity that he does not own in that building. Then on the assessed value, which is a great deal less than the cost he shows, the assessed value being $549,000, he shows a return of 2.3 per cent. The building is actually producing a net income, including a deduction of $14,000 for depreciation, of $48,000, and then he deducted $19,000 for approximate vacancies, 15 per cent. My understanding is there were practically no vacancies up to a year or two ago, that the building was fully occupied, until the Government employees suffered a loss in their income. If you eliminate the vacancies and add the interest that has been earned, you get a yearly return of about 12 per cent on that property.

Mr. WHITEFORD. 12.3 per cent, we have in our statement.

Mr. BRINKMAN. I calculated roughly here myself.

Mr. WHITEFORD. We put it in in the way you are now talking about, not on the basis that you are complaining of, of 12.3 per cent.

Mr. BRINKMAN. Mr. Cafritz shows a return of 2.3 per cent.

Mr. WHITEFORD. We took his figures and made the right return.

Mr. BRINKMAN. I do not doubt Mr. Lusk made an honest computation on the basis of the figures submitted, and in some cases, perhaps, he might have made adjustments, but in hundreds of cases it was not possible for Mr. Lusk to do it properly, because he lacked the information to say whether operating expenses had been unduly swollen.

Mr. WHITEFORD. How do you know that?

Mr. BRINKMAN. I have asked Mr. Lusk, and he admitted it.

STATEMENT OF RUFUS S. LUSK

Mr. LUSK. I did not say they were unduly swollen. I said I had taken the figures they gave me, and where they have added things to their figures which did not belong in there, which this particular statement has done, we have taken it out. They have put in depreciation on the land, and we have taken that out, but whether or not the miscellaneous items are true, of course, I do not know.

Mr. BRINKMAN. There are miscellaneous items amounting to many thousands of dollars in all these statements, are there not?

Mr. LUSK. The miscellaneous expense amounts to 11 per cent of all the money collected.

Mr. BRINKMAN. And you admit that the total operating expenses shown is 66.7 per cent?

Mr. LUSK. 66.2.

Mr. BRINKMAN. 66.2.

Mr. LUSK. When I added more buildings on.

Mr. BRINKMAN. Originally it was 66.7.

Senator KING. 66.7, do you say?

Mr. BRINKMAN. Yes. In other words, of every $100 rent they have applied $67 to expenses, whereas you will recall the assessor, on the basis of his experience, showed only $50 should be so applied, and the experience of the Bliss properties was 34 per cent over a period of 16 years, exclusive of taxes and depreciation.

Mr. LUSK. On those Bliss figures the 34 per cent was before taxes.

Mr. BRINKMAN. And a fraction.

Mr. LUSK. Those figures were during a period preceding this high vacancy, and ended with 1926.

Mr. BRINKMAN. 1927.

Mr. LUSK. In 1927 the vacancies in apartments in Washington during the renting season was around eight or nine or ten per cent.

Mr. BRINKMAN. The figures of the real estate board show seven and a fraction.

Mr. LUSK. They were seven and a fraction a year ago. Say they were only ten per cent; to-day, Senator, the vacancy is 15 per cent. Now, as this vacancy has increased, the expenses have not dropped, so in consequence the ratio of expense to rents collected has gone up. If we add to the Bliss properties figures of 34 per cent the taxes collected, you have considerably over 45 per cent as the total amount of operating expenses, and the reason for this higher ratio—may I show you this?

Senator KING. Make your statement so it will be intelligible in the record. When you say "this," you refer to a chart, which you are exhibting to us?

Mr. LUSK. Yes, sir.

Senator KING. It is entitled "The rent payer's dollar."

Mr. LUSK. This is based on 244 buildings having an assessment of $42,000,000, that is considerably over one-fourth of all the apartment property in Washington.

The maintenance tax is 66.2 per cent of each dollar the rent payer pays.

12½ per cent is taxes. It has gone up slightly during the last year, because income has gone down.

Fuel, 5.6 per cent. It has gone down slightly.

Salaries, 10.8 per cent; that has gone down slightly.

Senator KING. Does that include the brokerage commission?

Mr. LUSK. No. That is salaries in the buildings.

Senator KING. How much?

Mr. LUSK. 10.8 per cent.

Mr. BRINKMAN. On that point I think it ought to be pointed out these real-estate agents in almost every case hire an apartment resident manager, and usually give free rent in an apartment, which may amount to $1,000 a year, and in addition they pay them a salary as high as $50 a month, sometimes and sometimes probably more, so that they run up the expense that way. I have never seen why there should be a resident manager living off the building and adding to the expense of it. That has not been made clear, in my opinion.

Mr. LUSK. The reason for that is real-estate brokers and owners have found by experience that they have to put these resident managers in buildings to rent them and to take care of them.

Mr. BRINKMAN. Why have the agents?

Mr. LUSK. The agents have charge of the whole works.

Mr. BRINKMAN. Why not let the resident manager collect the rents?

Mr. LUSK. Because the agent can not be in the property all the time, and you have to look after the apartments in the building. That is the resident manager's job.

Mr. BRINKMAN. I have never seen exactly what the agent's job is, except to pocket 5 per cent.

Mr. LUSK. If the agent's job is not worth what he gets, do you think the people would do it themselves?

Mr. BRINKMAN. I will get into that later. I know why they have to hire the agent.

Mr. LUSK. Electric light, 2.7 per cent.

Repairs, 7.7 per cent. That item dropped considerably during the last year; as income has gone down owners have tried their best to get along with the least repairs possible.

There are certain things they can not skip, the taxes, salaries, and so forth.

Miscellaneous expenses, in which is included agent's commission, is 11 per cent. That includes soap, brushes, and so forth.

Depreciation is 14.6 per cent, if we allow 2.5 per cent on the assessed value of the building.

Mr. BRINKMAN. What do you allow for depreciation?

Mr. LUSK. 2.5 per cent, which is less than the minimum rate allowed by the Income Tax Bureau on elevator apartments.

Senator KEAN. You have 14.6 per cent there?

Mr. LUSK. It amounts to 14.6 per cent of what the rent payer pays. 2.5 per cent is on the assessed value.

Mr. BRINKMAN. That is an interesting point. If the tenant is paying $100 a month rent, he is paying $15 for this alleged depreciation of the building, which, of course, goes into the pockets of the owner, because they do not set up any depreciation reserve.

Mr. WHITEFORD. There is not any question that there is building depreciation?

Mr. BRINKMAN. In the figures you have submitted you have not shown any depreciated value.

Mr. WHITEFORD. It is a well-known fact that a building does depreciate. Whether a man is a wise or foolish financier, it depreciates just the same.

Mr. BRINKMAN. That has not been true in Washington, as I will show later. We will show you some examples.

Senator KEAN. I do not think you take off the rent because the building has depreciated, do you?

Mr. WHITEFORD. The building does depreciate. There is no question about that.

Senator KEAN. If a building is worth so much to-day it is worth 10 per cent less next year—I say 10 per cent just for the sake of figures—then you want to decrease the rent, you ought to, should you not?

Mr. WHITEFORD. You have got to have that to replace your original investment. That is depreciation reserve. Every business has a depreciation reserve, and that must come out of its profits.

Senator KEAN. Land does not depreciate in value.

Mr. WHITEFORD. Sometimes it appreciates, and sometimes it depreciates. Sometimes you get a piece of land that develops into a

commercial area, and then your land is so valuable you tear the building down to get the true value of the land. The building itself depreciates in every instance.

Senator KING. Proceed.

Mr. LUSK. 33.8 cents is left out of every dollar after these fixed charges are paid. If there is no mortgage on the property, the owner gets 33.8 per cent of all the money he takes in. That is his. And if the property, as I say, is clear, that will net him on these buildings, 4.6 per cent of the assessed value.

Practically every building in Washington is mortgaged. There is plenty of testimony to that effect. Most of those mortgages are for at least 60 per cent of the assessed value. We have buildings in this report where the mortgages equal the assessed value. Supposing it is only 60 per cent; his interest on that at 6 per cent is 26.2 per cent of this rentpayer's dollar, which leaves the owner 7.6 per cent out of every dollar he collects.

Figuring this on the owner's equity of the 40 per cent, after you have charged off the mortgage, it gives him a return of a little less than 3 per cent on these buildings as a whole, 2.44.

That is what happens to the rentpayer's dollar.

Mr. BRINKMAN. You claim now he is only getting 3 per cent. The figures you previously submitted showed he received 4.9 per cent.

Mr. LUSK. That was on the assessed value, assuming he paid no interest, that the property was clear.

Mr. BRINKMAN. You can not take off the expense of interest because he does not own that part of the building he has a mortgage on.

Mr. LUSK. Quite right.

Mr. BRINKMAN. That statement is based on a vacancy of 17 per cent, is it not?

Mr. LUSK. 15.5.

Mr. BRINKMAN. More than double the usual vacancy.

Mr. LUSK. It is more; but it is what we actually have.

Mr. BRINKMAN. Your operating-expense ratio would come way down if these buildings were rented fully, or somewhere near fully?

Mr. LUSK. Provided the rents were not decreased.

Mr. BRINKMAN. Some of these buildings are 25 to 50 per cent empty in that statement?

Mr. LUSK. There may be some small number, half a dozen.

Mr. BRINKMAN. How about Sedgewick Gardens? My statement shows it is 50 per cent empty.

Mr. LUSK. The largest percentage in any large building was 33.3 per cent. That is a new building just recently completed. I think it was the last apartment finished in Washington. The vacancy is about 20 per cent up to October 1 of this year.

Mr. BRINKMAN. August 15, when Weaver Bros. submitted a statement to me, there were rented 72 apartments and there were vacant 49 apartments, and that figured a vacancy of 40 per cent.

Mr. LUSK. This is the fact, on October 1, 121 units, 26 vacant, a vacancy of about 20 per cent. This is a brand new building, just finished, and it does not seem to me that you should make a point of that, because on October 1 it was 20 per cent vacant. I dare say it is pretty well filled up by now. That building is the end of the great wave of apartment building.

Mr. BRINKMAN. When they cut the rent they filled the apartment up.

Mr. LUSK. I would not be surprised. It looks like it.

Mr. BRINKMAN. There was a statement submitted to me by Weaver Bros. as to 2400 Sixteenth Street, showing that on August 15 there were rented in that building 93 apartments, that there were vacant 95. In other words, there were vacant 50.5 per cent of that building, absolutely vacant; for every $100 that they should have been drawing in as revenue for that building, they were drawing in $49.50, and $50.50 they were not collecting. That building also made a reduction of nearly $32,000, and I assume they have succeeded in renting part of it, at least.

Senator KING. Our experience has shown that during the summer months, when Congress is not in session, many buildings or many apartments are vacant, which, when Congress is in session, are filled.

Mr. WHITEFORD. Particularly true of 2400 Sixteenth Street.

Mr. BRINKMAN. That statement is based on a large vacancy in many instances. Buildings with huge gross rentals show a low net return because of huge vacancies.

Mr. RUSH. This is November 1, and you refer back to the middle of the summer. This is up in the fall, which is when the rental period started in Washington, October 1.

Mr. LUSK. There was very little difference this last year. So far as this chart for 1931 is concerned, there would be very little variance in any of those figures, except taxes would be less.

Mr. BRINKMAN. You have admitted some of the buildings are at least 25 per cent vacant and some more.

Mr. LUSK. Yes; you spoke of 2400 Sixteenth Street. I can explain that.

Senator KEAN. I would like to ask a question: What is the average over a period of years as to the vacancy expectation in connection with apartment houses? Is it 8 per cent?

Mr. LUSK. There should be an average of 10 per cent.

Senator KEAN. About 8 per cent?

Mr. LUSK. I said 10 per cent on the average.

Senator KEAN. About 8 per cent. If you figure these apartment houses on the basis of about 8 per cent, what results would you get then?

Mr. LUSK. You would get much better results.

Senator KEAN. If you go on and make your apartment-house rentals so high that nobody can rent them, so high that nobody can rent an apartment in them, naturally you have a very large vacancy, and if you have a very large vacancy, then you can figure the apartment is not paying its taxes.

Mr. LUSK. These two buildings that have been brought up, 2400 and the Sedgewick Gardens, are high-priced buildings. You have in mind these rents might be cut and the income increased?

Senator KEAN. Absolutely.

Mr. LUSK. That is a problem in each individual case. I have an example of what might happen. Suppose we have a building 15 per cent vacant, and the vacancy——

Senator KEAN. Twenty-five per cent, because you are talking about buildings 25 to 33 per cent vacant. You take a building 25 to 33 per cent vacant.

Mr. LUSK. All right. I have not got the figures in my head for that. That is the average here for 15 per cent, which I have. Do you mean if I take 15 per cent——

Senator KEAN. Take 15 per cent and that will be all right.

Mr. LUSK. In a building which has 15 per cent vacancy the man is making so much money. He has this problem. I have 100 apartments. I have 15 vacancies, and if I cut my rents 10 per cent, will I be able to get more or less money? Suppose I cut them 10 per cent. That apartment-house owner must get his apartments rented, and he must reduce them, and that notwithstanding his income is $8,500. He has 15 apartments rented—that is not what I want to say; he has 15 vacant. If he rents half of those 15 that are vacant after he has made his cut, he has a less income than he had before when he had a 15 per cent vacancy, and that is the problem that each individual owner has to decide. If I cut my rents, will I rent enough more to be better off, or worse off?

Mr. BRINKMAN. He might look at it from the tenants' standpoint. Even if he derives no benefit, the tenant will and the public will. The landlord will not be any worse off at all.

Mr. LUSK. I do not know. He has got to look at it from his own standpoint. He has to pay his taxes, interest charges, and he may be worse off or better of.

Mr. BRINKMAN. The public will be better off if they get lower rentals.

Mr. LUSK. No; I do not admit that.

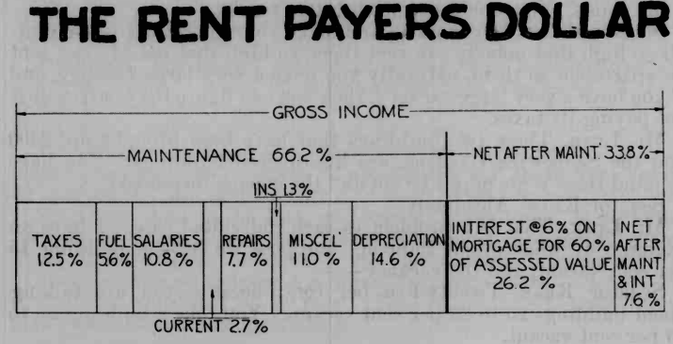
It has been complained about here that the landlords were making too much money. It is mighty fortunate that there is some business left in which somebody is making a little money in the United States. It is much better than for them to lose money, because they are able to give some people a job.

Mr. BRINKMAN. Some of these landlords have cut their help 10 per cent.

Mr. LUSK. 5.9 per cent last year, a little less than the Government, and considerably less than the Senators cut their own pay.

Senator KING. I think probably, Mr. Lusk, you had better leave that for the record.

(The chart referred to is here reproduced:)



Mr. BRINKMAN. We have here the District assessor, Mr. Richards, who has been the assessor since the memory of man runneth not to the contrary—he knows what the actual operating costs are, and if you would like to hear him, briefly, he would be very glad to respond.

Senator KING. Has he testified heretofore?

Mr. BRINKMAN. Not in this investigation. He has testified heretofore in other investigations.

STATEMENT OF WILLIAM P. RICHARDS, ASSESSOR, DISTRICT OF COLUMBIA

Mr. BRINKMAN. What is your name?

Mr. RICHARDS. William P. Richards.

Mr. BRINKMAN. Have you made any estimate of the operating costs in relation to net income of apartments? If you have, the committee would be glad to hear you on that subject.

Mr. RICHARDS. Two or three years ago I made a survey in relation to the cost of construction, in 1915, before the war, and the cost of construction in 1929, the relation of rents before the war and the relation of rents in 1929.

Mr. BRINKMAN. Since 1929 there has been a decline, has there not, in values, in Washington?

Mr. RICHARDS. There has been a decline in rents and values, but I have not made such a study since 1929, as I am submitting here between the low period and what I call the high period points.

Senator KING. You think you could import those conditions into the existing situation and make deductions in reference to the questions involved here that would be warranted and be justly a basis for findings by this committee?

Mr. RICHARDS. I think, Senator, that your committee has gone into this thing very much deeper than what I did, and what I submit here is merely a comparison between two principal years, and this comparison has not gone into various phases of the situation for a few years.

Senator KING. Yet it may or may not be relevant to the issues now involved.

Mr. RICHARDS. Exactly. I started out by saying, of course, that I did not know if I could add very much to what has been gotten together.

Senator KING. Proceed.

Mr. RICHARDS. All this data, after all, I submitted to Mr. Brinkman, when he started on his research.

Mr. BRINKMAN. And I embodied a summary of it in the report, but the committee wanted more first-hand testimony, and I asked Mr. Richards to come here.

Mr. RICHARDS. I found in the study, and I exhibited a good many hundred apartments, that is, I examined the records of a good many hundreds of apartments, picked out the average ones, and, first, in examining the cost of construction, I took the years 1913, 1914, and 1915 as about 100 per cent. I found that in the year 1920 the cost of different kinds of material ran up as much as 300 per cent. The immediate——

Senator KING. What do you mean by that?

Mr. RICHARDS. 300 per cent, three times the cost in 1914 and 1915.

Senator KING. Between 1915 and 1920?

Mr. RICHARDS. Yes; between 1915 and 1920. That was the high period of construction. I cite that because it had its effect on things that were done afterwards, although the cost of construction, in 1921, 1922, and 1923—the effect of this big construction cost in 1920 held up the sale value of a good many properties.

During the years 1922, 1923, 1924, and 1925 there was a very intense construction period. I might say at the present time—and the years that I have not gone into very much—at the present time it has gotten to the point where the depreciation and obsolescence of buildings is almost offset by the construction that is going on.

Probably the depreciation and obsolescence of $500,000,000 worth of buildings is between 2 and 3 per cent, say, it is nearly $15,000,000 a year—repairs and construction are equal to about the same, so that at the present time we are barely keeping up with our needs.

Senator KING. Let me ask you this question, Mr. Richards: As I understand you, there was a recrudescence, if I may use that term, of costs in 1923, 1924, and 1925?

Mr. RICHARDS. Yes.

Senator KING. Did it reach the zenith of the high cost of 1915 to 1920, during the war and immediately following the war?

Mr. RICHARDS. Yes. The construction costs began to rise very rapidly in 1917, and during the years 1917, 1918, 1919, and 1920 it was greater than the years 1921, 1922, 1923, 1924, and 1925.

Senator KING. Then it would be approximately 100 per cent in excess of the cost of 1913, 1914, and 1915?

Mr. RICHARDS. And of 1920. It dropped rapidly after that.

Senator KING. When did it rise again to that 300 per cent?

Mr. RICHARDS. It never did. Our ratio of cost per year after 1921 was about 80.

Senator KING. Up to when?

Mr. RICHARDS. Up to 1929.

Senator KING. Eighty per cent increase?

Mr. RICHARDS. Eighty per cent increase.

Senator KING. That is to say, a building erected in 1928–29, of substantially the same kind, character, and quality of a building erected during that period showed an increase of 300 per cent; it would be 80 per cent of that?

Mr. RICHARDS. Eighty per cent above it.

Senator KING. Eighty per cent above it.

Mr. RICHARDS. Above the 100.

Senator KING. It dropped from 300 down to 80?

Mr. RICHARDS. Very rapidly during that year. Building materials, some of them were much over 300 per cent. I remember brick went from $8 up to $26 in certain classes.

Senator KING. Was that the result of a combination among manufacturers?

Mr. RICHARDS. I do not know, sir. There may have been a certain quick demand for materials that caused that.

Mr. WHITEFORD. What was your index figure in 1920 over 1915, on the average? You said some of the materials were up 300 per cent.

Mr. RICHARDS. Brick, 300 per cent, and certain building material, cement, 300 per cent, composite figure, about 225.

Mr. WHITEFORD. As against 180 in 1929.

Mr. RICHARDS. Yes. I have noticed several estimates made in other cities for the years 1921, 1922 and 1923. It was about double what it was in 1915.

Senator KEAN. From 1920, the cost of building went down, so that it was only 80 per cent above what it was in 1915.

Mr. RICHARDS. Senator, for the years 1923, 1924, 1925, 1926, 1927, and 1928.

Mr. WHITEFORD. From 225 in 1920 to 180 in 1929—45 points.

Mr. RICHARDS. Yes.

I found the estimates in some cities for several years after 1920 was about double. I took my own figures and compared them with the figures they had gotten at the Treasury, and their figures were 83 per cent above for the several years, 1925, 1926, 1927 and 1928. Then after examining the extra cost in construction, there was a raise in the values of the properties, and, by the way, Mr. Chairman, I have a list here for each of the years 1913, 1914, 1915, etc. to 1932, for the price of brick, cement, painting, union wages per hour, brick layers, union wages per hour, carpenters, painters, etc.

I think Mr. Brinkman has that in the record.

Mr. BRINKMAN. Yes.

Mr. RICHARDS. After we had worked out the difference in construction cost, we made raises in property values in our assessment, and as an indication of the combination figures of construction cost of fire-proof apartments, we found that a fire-proof apartment built in 1915 of 1,000,000 feet cost about $200,000, and the same sort of an apartment built in 1928 cost $370,000. We did not, however, attempt to run our figures up to the 80 per cent when we made a reassessment.

We found that in increasing rents, the increase of rents in the various apartments was very, very irregular, that some of them had doubled their rents, others had gone 5 and 10 per cent. Here is one rent in 1915 of $4,000, which was increased in 1929 to $9,000.

Another rent in 1915 of $5,000, which was increased to $10,000; another of $8,000, which was increased to $15,000; another of $10,000, increased to $19,000; one of $10,000, increased to $16,000.

Senator KING. They were de luxe apartments?

Mr. RICHARDS. Fire-proof apartments, but not of the very highest class—average class.

Senator KING. You mean for a single apartment, $15,000?

Mr. RICHARDS. No; the total amount for each apartment house.

Senator KING. I beg pardon.

Mr. RICHARDS. We found that the average increase in rents for 1929 over 1915 was 61 per cent.

Senator KEAN. Excuse me right there: I would like to get in the record that those are the increases over 1915.

Mr. RICHARDS. Yes.

Senator KEAN. And the rentals are still very far above 1915?

Mr. RICHARDS. Oh, yes; still far above.

Senator KEAN. The rentals ought to come down to the basis of 1915; is that right?

Mr. WHITEFORD. You had a construction cost, an increase of 80 per cent, with an increase of rents of 61 per cent. That is the way the figures work out.

Senator KEAN. That is all right. We have lost that.

Mr. RICHARDS. After making our changes, I compared some 28 of the best apartment houses, which were increased 42 per cent in value, and found the increase 68 per cent. I compared 41 apartment houses of an average character. We had increased assessments about 30 per cent, the increase in rentals was about 60 per cent.

Mr. WHITEFORD. You mean you increased the assessment?

Mr. MICHARDS. Yes; increased the assessment.

Senator KEAN. That brings up the other question. You based your assessments on one thing. How much of your assessment have you based on the value of the property, and how much have you based it on the rental return?

Mr. RICHARDS. We based our assessment generally on the rise in ground values, and the rise in the cost of the property.

Senator KEAN. How much did you put in there for rental return?

Mr. RICHARDS. We did not base it on the rental return. I have a statement here to show how that came out. The assessment of 1917 and 1918 is 7.2 times the rent, and the assessment in 1929 and 1930 is 6.1 times the rent, in 41 apartments of an average character.

The assessment of 1917 and 1918 is 7.5 times the rent; the assessment in 1929 and 1930 is 6.4 times the rent.

Senator KING. Six and five-tenths times the rent. What do you mean by that?

Mr. RICHARDS. Gross rent.

Senator KING. If the gross rent were $50,000 of an apartment house, then you would assess the whole property $300,000.

Mr. RICHARDS. About. That is about the way it ran after we fixed our assessments.

Senator KING. I mentioned this before the reporter began taking down our proceedings, that my attention has been challenged to the fact that the policy or course of the assessors' office was to attribute too much value to the real estate—that is, to the land itself—and not enough to the building.

Mr. RICHARDS. Too much to the land and not enough to the building?

Senator KING. Too much to the building and not sufficient to the land.

Mr. RICHARDS. And not sufficient for the land?

Senator KING. Yes.

Did you attempt to base your assessment upon a proper differentiation between the value of the land with no building and the value of the land with the building, and then the value of the building without the land?

Mr. RICHARDS. Yes.

Senator KING. If you were able to make those fair distinctions?

Mr. RICHARDS. Yes, and it is hard to make those fair distinctions. You can get a good many differences of opinion in dividing the land value and the building value, but I ordinarily think that the assessment as it now stands is in the way you indicate, because I have heard it before one of these committees by the Assistant Attorney General, who is in charge of condemnation, that the tendency of our office was to overassess the business section and to underassess the small properties. If that is so, and he was very nearly right about it, then we have not been overassessing the buildings. Furthermore, it has been a rule of our office and the intention of our office to assess the small home at the cost of the land plus the bare cost of construction, giving the small home owner in buying this property every advantage of not paying a tax on the overhead, which at times has been very excessive; and the same rules apply in the business section.

To give you an illustration of the relation between land values and construction values, the square bounded by 12th and 13th and F and G Streets is assessed at about $6,000,000. There is about $5,000,000 of that in the ground, not much more than $1,000,000 in the buildings. On the other hand, the man who owns a small home, for which he has paid $9,000 or $10,000, has probably $1,200 or $1,500 in the ground and $4,000 or $5,000 in the building. We have never attempted to assess the overhead, which amounts to $2,500, and the small home owner is at this disadvantage, that the price being more on his building, it will go down in value more quickly than down in the business section, where the greatest price is on the land, and it will go up in value. That is simply a question of equalization.

Mr. WHITEFORD. You spoke of your assessment being seven times the rent or six times the rent. You mean the rent schedule?

Mr. RICHARDS. Yes.

Senator KING. And assuming they were all filled?

Mr. RICHARDS. Yes.

We have to figure them out that way continually, because we could not keep up with the vacancies.

Mr. WHITEFORD. You do not bother about the actual rent income?

Mr. RICHARDS. No; we can not keep up with that. We will take what the middle floor will assess it, if filled, and then multiply it by six times the elevation, that is, if it is six stories. I cited this difference, seven times the rent and six times in the other. I think that is natural. I should think as the construction costs dropped, that we would drop from the factor of seven down to the factor of six, so that came out as perfectly natural.

Now, in some 21 apartments, worth about $10,000,000, we examined the expense and the net earnings. We found that they varied very greatly as to that, but when they were compiled, almost exactly the expenses were equal to the net earnings. I think I have furnished that.

Mr. BRINKMAN. In other words, your expenses were about half of the gross income?

Mr. RICHARDS. Yes.

Mr. BRINKMAN. Approximately 50 per cent.

Mr. RICHARDS. Yes.

Mr. BRINKMAN. And that was based on a study of the income of a number of buildings and the expense of a number of buildings?

Mr. RICHARDS. Yes, taken directly from the books of the companies. They allowed us to examine their books.

Senator KING. If interest charges went up, there would be a little disequilibrium?

Mr. RICHARDS. Our charges did not enter into that, Senator, because I have noticed here you have been talking about 8 and 10 per cent.

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My idea is if you take over a number of years, not at the present time, but over a number of years, and allow a proper depreciation for your real estate or your apartment house, and get off with a clear profit of 5 per cent, you are doing pretty well. That is the way they have been running. The expenses are incident to an apartment house.

There are 12, at least 11 you can not get away from:

The first is your coal.

The second is your janitor and help.

The third is your elevator and telephone operator.

The fourth is your current and light.

Fifth, your taxes, which is the biggest item.

Sixth is your insurance.

Seventh, water rent.

Eighth, commissions.

Ninth, repairs, paper, and paint.

Tenth, miscellaneous, including loss of rents and depreciation of 2.5 per cent.

I think I furnished Mr. Brinkman a statement of that. That is a composite statement as to expenses that can very rarely be put aside.

Senator KEAN. Then your calculation is that it is the interest that people buy property for and all they get out of it is, say, 5 per cent, but they have got more than 100 per cent increase in value of the property since 1915; is that right?

Senator KING. That would not be true generally.

Mr. RICHARDS. Your old buildings compete with the new ones. It was found that there was a shortage in them, and then as new buildings went up they were compelled to put a rental on that corresponded to the cost of the structure. That occurred for a number of years, but later the buildings have not gone down in value, because of the decrease in cost of construction. They are not reaping any benefit of a rise and can not do so.

Senator KING. Have some of the apartment houses erected prior to 1915 and 1916 come in competition with the newer ones, as measured by the general rise in value, lost capacity for renting, and so on?

Mr. RICHARDS. No; they increased their rents. As prices of materials began to climb, those who had buildings built in 1914 and 1915 were at an advantage, and increased their rentals, consequently showing an increase in the value of the building.

Senator KING. What I meant was this: Have the more modern apartment houses, particularly those built in the last three or four years, because of the introduction of newer equipment and so on, sort of put those other apartment houses out of the running?

Mr. RICHARDS. Yes; some of them.

Senator KING. Made them rather obsolescent?

Mr. RICHARDS. Some of them.

Senator KING. And the value of the building was greatly reduced?

Mr. RICHARDS. Yes.

Senator KING. And the rental value reduced; opportunity for renting diminished. Is that correct?

Mr. RICHARDS. Yes; I would say as a general proposition that the life of an apartment house, to make money out of it, the life of it would end at 40 years.

Senator KEAN. When?

Mr. RICHARDS. It would end in 40 years.

Mr. BRINKMAN. If it is good for 40 years, then a depreciation deduction of 2.5 per cent would be too much, would it not?

Mr. RICHARDS. No.

Mr. BRINKMAN. If you accumulate a depreciation reserve of 2.5 per cent, you would have to credit interest on your reserve.

Mr. RICHARDS. That is 2.5 per cent.

Mr. BRINKMAN. You would have to credit interest on your accumulation.

Mr. RICHARDS. If you put aside a sum and figure interest on that amortization.

Mr. BRINKMAN. As a matter of fact, they do not do it, do they?

Mr. RICHARDS. Yes; I generally allow 2.5 per cent.

Mr. BRINKMAN. They spend the money.

Mr. RICHARDS. Yes; that is where they get into trouble.

The CHAIRMAN. What is your observation as to the reduction of rents that have been made?

Senator KING. Recently?

The CHAIRMAN. In the last year or two.

Mr. RICHARDS. I have not gone into that much, and I think Mr. Brinkman has been able to give you more on that than I have.

Senator KING. He confined his testimony anterior to 1929.

Mr. RICHARDS. From 1915 to 1929.

The CHAIRMAN. I heard your statement that they had increased their rents at a certain time when conditions justified it. Have there been reductions made since then by those people who increased them?

Mr. RICHARDS. They increased them on an average of 61 per cent, and I have no figures to show what reductions, if any, have been made since.

Mr. BRINKMAN. In the meanwhile taxes only went up about 30 per cent.

Mr. RICHARDS. Yes; about that.

Senator KING. To what figure did the value of the property go up in that period, the increased cost of the building during that period?

Mr. RICHARDS. The value of the property went up about 60 per cent.

Senator KING. So that the rents kept pace with the value of the property?

Mr. RICHARDS. Yes.

Now, I have as a last matter here some interesting information. I have given Mr. Brinkman a copy of the reductions we have made in the last year. There may be something in that.

Senator KING. You mean in the assessment of the values?

Mr. RICHARDS. Yes.

In connection with this matter, it takes in $118,000,000 worth of property, and covers some seventy-odd pages of typewritten stuff.

I showed him some of it was made directly on appeal and some of it was a matter of equalization. I showed him that while generally these people who made appeals asked for a reduction of 20 per cent, that we allowed from 8 to 10 per cent, that in the total investment of 141 properties of $118,000,000, we allowed a final reduction of $12,000,000.

Senator KING. Did those people who made the appeals for reductions indicate their willingness to sell the property at the value which they were willing the assessor should place upon it for assessment purposes?

Mr. RICHARDS. No, sir.

Senator KING. They would want more if they sold it?

Mr. RICHARDS. I would get rich on those things if I could handle them.

Senator KING. This is not germane to the investigation we are making, but I am interested in knowing how much more the Government has been compelled to pay for properties which it has acquired for Federal buildings, than the property was assessed at, because I have felt the Government has been charged too much for most of this property which was required for governmental uses.

Mr. RICHARDS. I will take one case which I remember very well. I have some others, but this one in particular stands out: The condemnation of the Supreme Court site. That gave a little over 80 per cent more than the assessment.

Senator KING. Eight per cent?

Mr. RICHARDS. Eighty per cent; and then naturally the assessor was called upon to show why he had not made an assessment for that amount, and I simply submitted the purchases that had been made for 5 years, and showed the award was double the purchases.

Senator KING. Was that by a jury?

Mr. RICHARDS. Yes; by a jury.

Senator KING. Then if that is a fair sample of other awards, the Government has been robbed of millions and millions of dollars.

Mr. RICHARDS. I took all of the purchases that had been made by the Government for the last 10 years, amounting to about $35,000,000, and I found they had approximately 50 per cent above the assessment of $35,000,000. That is what we had to pay in the Municipal Center, 50 per cent above assessment. In one case we tried to condemn land for the city for a school site. I put the land at $1 a foot, because I knew of sales all around it at that price, and three real-estate men put it at $5 a foot, opinion prices. So there you are.

Senator KING. I wonder if the internal revenue collector has reexamined the returns of the owners of those properties with a view to assessing for those higher prices?

Mr. RICHARDS. They are continually in my office examining my records.

Senator KING. I hope they will make them pay something to the Government.

Senator KEAN. Do you remember back to the time of the price for Union Station, approximately?

Mr. RICHARDS. Yes; I bought some of the properties there.

Senator KEAN. What did they pay in comparison with assessments?

Mr. RICHARDS. About double.

Senator KING. All of which means the Government has been mulcted all the time.

Mr. RICHARDS. We have purchased property in the four squares of the municipal location—we purchased those and we asked for an appropriation of $6,000,000. We were told by several men who had been interested in square 728 that we would pay between $9,000,000 and $12,000,000, if we went into condemnation. We purchased it for about $7,000,000.

Senator KING. I do not think you had better purchase any more if it has not been completed. Let us get values down where they belong in connection with these properties that the Government needs.

The CHAIRMAN. What is the plan for getting these high prices under condemnation? How is it brought about?

Mr. RICHARDS. I do not know how it is brought about, except to say in having their hearings they depend entirely on opinion prices, and that is the result of opinion prices.

Mr. BRINKMAN. In many cases, Mr. Richards, you found your assessment was too high, and you have reduced it 10 per cent on an average in those cases?

Mr. RICHARDS. Yes, sir.

Mr. BRINKMAN. And you have given full effect to the decrease in building material prices, where the rents have been maintained at a high level?

Mr. RICHARDS. No.

Mr. BRINKMAN. Where the property is earning a large income you have not depreciated the building on the basis of the lower material prices, have you?

Mr. RICHARDS. No.

Mr. BRINKMAN. So that in many cases probably the assessments now on property are more than the actual cost of reproduction of the physical property?

Mr. RICHARDS. Approximately.

Senator KING. Suppose you would borrow $200,000 and put up a building, and that paid for the land and for the building. You were economical and had it constructed along the best line possible, but in a couple of years the building materials went down and property went down—supposing you had borrowed $200,000 and had borrowed the 100 per cent. Would you think then because building materials had gone down and your real estate had gone down, you ought not to get a fair return on your investment, or would you have to pocket the loss absolutely? Suppose you had mortgaged it for $200,000, and in order to discharge your obligation, you would get rents say, of $40 for an apartment—because some other apartment was constructed for a little less, would you think, ipso facto, you should reduce your rents?

Mr. BRINKMAN. I know in any other business you have to pocket the loss. If you are a wholesale hardware merchant and you buy a thousand plow shares at $1 and they go down to 75 cents, you have to take your loss and sell them on that basis.

Senator KING. Supposing you can rent your apartments for $40.

Mr. BRINKMAN. The evidence shows you can not, that they are becoming vacant.

Senator KING. Supposing your creditor took it over for the $200,000 that you owed, that is, he was put in charge of the renting of it, and he could continue to rent it for $40 a month. In that way it would be amortized within 5 or 10 years. Do you think he ought to be compelled, because some other apartments were rented for $30 or $35 a month, to lower his rentals?

Mr. BRINKMAN. I do not think he could continue to rent them at that high rental, unless he and other people so controlled the supply of credit that nobody else could build a building at lower prices to compete. The insurance companies refuse to loan any money, and the brokers refuse to lend to build buildings at lower costs, because to do so would compete with the buildings already erected. They simply are not doing any building.

Mr. RICHARDS. They are not building.

Mr. BRINKMAN. They could be building at lower costs and renting the apartments at a lower price.

Mr. RICHARDS. All the building going on in the District is about equal to the amount of depreciation and obsolescence for the year.

Senator KING. There is not much private building going on?

Mr. RICHARDS. No; even small homes have stopped selling.

Mr. BRINKMAN. In the statement you have submitted to me you have shown as the highest-cost building, an apartment building erected in the year 1929, a fireproof apartment building with elevator, at a rate of 37 cents a cubic foot, and since that time materials and labor have come down, have they not?

Mr. RICHARDS. Yes, I think possibly an apartment can be built, fireproof, to-day, at between 30 and 35 cents per cubic foot. I do not show you the exact figure because I do not have it with me.

Senator KING. Is there any depreciation in cost reflected in the buildings being constructed by the Government? For instance, the Department of Commerce Building cost $18,000,000, about $1,000 a room. Is there any building in the world that cost as much as that?

Mr. BRINKMAN. Yes, sir; the Hamilton Hotel was financed at the rate of $10,000 a room. The Mayflower was about up to that.

Senator KING. Has the cost of Federal buildings come down by reason of depreciation in the value of materials?

Mr. RICHARDS. I think so. They are working in regard to this building over here.

Senator KING. Do you mean the House Office Building?

Mr. RICHARDS. Yes. The difference between the highest and lowest bid received was $1,000,000.

The CHAIRMAN. What was it finally?

Mr. RICHARDS. $5,000,000 and something, I think.

Mr. LUSK. There can not be decreases in Government buildings as in private buildings. The wage law prohibits that. Washington is the only city in the United States where the wages of union mechanics have not dropped. In most cities they have gone down 30 to 40 per cent. Bricklayers are getting $14 on these Government buildings.

The CHAIRMAN. Has there been a reduction?

Mr. LUSK. Not a cent.

Mr. SAGER. You can get plenty of brick layers for $5 a day.

Mr. LUSK. There is practically no private building done to-day with union mechanics.

Senator KING. Are we required to employ only union labor?

Mr. LUSK. No, sir; but they are required to pay union rates. I had a letter from the Secretary of Labor, saying that union rates were the prevailing wages here, and that is what they are paying.

The CHAIRMAN. All the union labor is employed on Government work, and there is little union labor employed on private contracts?

Mr. LUSK. Practically none. You can get brick layers for $8 a day, but the Government is paying $14.

The CHAIRMAN. Would the Government refuse to employ a man who is not a member of the union?

Mr. LUSK. No, sir; but as a practical matter they all are.

Senator KEAN. The Government does not employ anybody. It is out on contract.

Mr. BRINKMAN. On the subject of whether it is proper to use the assessment as the basis for figuring your return, I would like to put into the record a few figures as to the assessment. The building at 3701 Massachusetts Avenue contains approximately 700,000 cubic feet, and is assessed at $315,000 or a cubic-foot cost of 45 cents, compared with the highest cost in 1929 shown by Mr. Richards of 37 cents. The building across the street——

Mr. WHITEFORD. Do you complain that Mr. Richards' assessment is too high?

Mr. BRINKMAN. Not in comparison with the income derived from the use of the property. If you reduce your rents I am perfectly willing that Mr. Richards should reduce his assessments, and I think he is, too. I think Mr. Richards' assessments are about right, considering the income derived.

Mr. WHITEFORD. He says he does not figure the income. That does not enter into it.

Mr. BRINKMAN. He does consider that.

Mr. WHITEFORD. He said not.

Mr. RICHARDS. I showed what the relation of the schedule had to do with it.

Mr. WHITEFORD. You said the rents did not enter into it. You assessed it, and it bears that relation, after you have done it.

Mr. BRINKMAN. You have found sales made on the basis of income?

Mr. RICHARDS. Yes.

Mr. BRINKMAN. And you have based your estimate on that.

Mr. RICHARDS. Yes.

Mr. BRINKMAN. Across the street, 3700 Massachusetts Avenue, 850,600 cubic feet at a cost of 40 cents a cubic foot.

Westchester, 1,800,000 cubic feet, or less than 40 cents a cubic foot.

The Presidential, Sixteenth and L, 55 cents.

The Jefferson, at Sixteenth and M, cubic foot assessment 50 cents.

2101 Connecticut Avenue, cubic foot assessment, 46 cents.

2310 Connecticut Avenue, St. Albans, 50 cents.

2700 Connecticut Avenue, 43 cents.

4514 Connecticut Avenue, Ponce de Leon, 45½ cents.

Embassy, at 1613 Harvard Street, 50 cents a cubic foot.

Conard, at 1228 I Street, 44 cents a cubic foot.

I have examined that building, and I never saw a building more cheaply constructed so far as the interior finish is concerned.

Park Lane, 2025 I Street, 45 cents.

Chalfonte, 1601 Argonne Place, 45 cents.

So that in all those cases the cubic-foot assessment of the buildings is far above the estimated cost of reproducing the building, because probably based upon the selling price when the rents were high.

Mr. WHITEFORD. You would seem to contend that Mr. Richards' assessment is too high.

STATEMENT OF O. H. BRINKMAN—Resumed

Mr. BRINKMAN. I do not think there is any use going over that ground again. I think his assessment is right according to the rents charged.

The examination of more than 41 apartment properties made by Mr. Richards, worth from $100,000 to $500,000 disclosed that the gross rents in 1915 and 1916 compared with the gross rents in 1929, had been increased 80 per cent, while assessments in the meantime were raised less than 30 per cent.

The assessor states that in a considerable number of cases rents had been doubled, while in others the amount of increase has varied from 10 to 20 per cent. Taken as a group, however, rent scales increased 60 per cent from 1915 to 1929. In this group are found rent increases of 142, 123, 102, 104, 118, 92, 88, 105, 102, 84, and 89 per cent.

That represents the increases in rents between 1915 and 1929 on a large group of buildings.

The CHAIRMAN. Have you any information as to what happened since then?

Mr. BRINKMAN. The estimate made by Mr. Lusk, I think, is that rents have gone down 10 per cent. That, however, is not borne out by the Department of Labor statistics. They show a very small decrease. I have those figures here. I think as a practical matter we can take the H. L. Rust Co. I have made a list in double column of the rents that they showed as being charged in 1928 and those charged in 1932. I have eliminated from that list three buildings, because in those three buildings the reductions were out of line with the other buildings. It would not strike a fair average if you included the three buildings, because the decreases in those three buildings ran as high as 20 or 30 per cent.

The CHAIRMAN. How many buildings?

Mr. BRINKMAN. Fifty-seven. We have included 54 of those buildings, because to include the others would get you an average that would not be truly reflective.

Mr. WHITEFORD. They did decrease them?

Mr. BRINKMAN. Yes; because there was a large vacancy, and they were simply out of line with other rents; they could not be rented, and they had to make very large cuts, but the other 54 buildings of the 57 show a decrease of 6.1 per cent in the four years 1928 to 1932. That is from the statements of H. L. Rust Co. that I have here.

Mr. WHITEFORD. You did not figure the other three.

Mr. BRINKMAN. If you included those three which are totally out of line, you would have 10 per cent.

Mr. WHITEFORD. Mr. Brinkman, where did you acquire the ability to say when rents are in and out of line? Are you the Will Hays of the rent situation in the District of Columbia? It seems to me the real-estate men ought to have more information on that than any lawyer, as to whether the rents are out of line.

Mr. BRINKMAN. I do not intend to become embroiled in a personal argument with you. These figures are furnished by the H. L. Rust Co., and they speak for themselves.

In a case where I figured the vacancy in apartments handled by different agencies, there was one small apartment building that showed a vacancy of over 58 per cent, and of course I eliminated that, because it was not reflective of the whole thing, in order to strike a fair average. I eliminated that group of properties showing 58 per cent vacancies, and found a general average of approximately 17 per cent, so in this case I have eliminated three buildings that are altogether out of line with 54 other buildings, and struck an average of 6 per cent reduction in rent in the four years.

Mr. BOWIE. Which are they?

Mr. BRINKMAN. Wakefield Hall, 33 per cent vacant; naturally that had to be reduced in rents; 2101 Connecticut Avenue, nearly 30 per cent vacancies.

Mr. BOWIE. What were the sizes of those apartments?

Mr. BRINKMAN. Which apartments?

Mr. BOWIE. 2101 Connecticut Avenue?

Mr. BOWIE. You do not show that, I am sorry to say, although I asked you to do it.

Then the Maycroft, with a vacancy percentage of 20.

Mr. BOWIE. Did you include 1302 Eighteenth Street? You ought to have if you are going to pick out those where the vacancies are too great.

Mr. BRINKMAN. If you included it in your list, I did.

Mr. BOWIE. You ought to have picked that one out.

Mr. BRINKMAN. These are your returns, are they not?

Mr. BOWIE. I do not know.

Mr. BRINKMAN. Will you look at them and see if they are not your returns?

Mr. BOWIE. All right.

Mr. BRINKMAN. I do not want any question about that.

Mr. BOWIE. They look like them. I do not know if they are all there or not.

Mr. BRINKMAN. They are all there.

The CHAIRMAN. What would be the average of the entire group, average reduction?

Mr. BRINKMAN. Including those three buildings?

The CHAIRMAN. Yes.

Mr. BRINKMAN. Ten per cent.

The CHAIRMAN. Ten per cent?

Mr. BRINKMAN. Yes.

The CHAIRMAN. What is the average of the 54?

Mr. BRINKMAN. Six and one-tenth per cent.

Mr. BOWIE. That is hand picking those figures.

Mr. BRINKMAN. That is the method that would be adopted by any statistician.

Mr. BOWIE. Mr. Lusk can answer that.

Mr. LUSK. That is the exact way to get the wrong answer. You may do anything else but hand-pick them. Suppose we had done that. We took the buildings just as they came.

Mr. BRINKMAN. And you changed the figures in some cases, did you not?

Mr. LUSK. How much?

Mr. BRINKMAN. You said yourself you changed them.

Mr. LUSK. One-tenth of 1 per cent and two-tenths of 1 per cent, when we got more buildings.

Mr. WHITEORD. Do you mean he altered them?

Mr. BRINKMAN. No; he changed around certain figures.

Mr. WHITEFORD. Changed the figures to make a false picture?

Mr. BRINKMAN. No; I expressly stated I do not think Mr. Lusk would do anything like that.

Mr. WHITEFORD. I want to keep you admitting that.

Mr. BRINKMAN. I started out this morning by saying Mr. Lusk made the best use that could be made of the figures, fair use.

Mr. WHITEFORD. Small favors are thankfully received.

Mr. BRINKMAN. We have here some figures that I did not make up.

Mr. WHITEFORD. Good.

Mr. BRINKMAN. I thought you would appreciate that. I admit I used figures Mr. Bowie submitted, and it may be they are not as good as they ought to be.

Mr. WHITEFORD. You misused those?

Mr. BRINKMAN. I do not think I did.

We have here a bulletin of the Bureau of Labor Statistics "Retail Prices and the Cost of Living in June, 1932," United States Department of Labor. They show that in 1930 rents here were 28.7 per cent above 1914; that is, if you were paying $100 rent in 1914 you were paying $128.70 in 1930, nearly three years ago. Now, instead of paying $128.70 in rent, you are paying $127.10; in other words, you have received a reduction of $1.60 for every $128.70 rent you had spent two years ago. That is in Washington.

Mr. WHITEFORD. Covering all classes of apartments?

Mr. BRINKMAN. It covers rent generally in the District, and it is a sample method, like Mr. Lusk spoke of, showing the different classes of buildings, and making a survey of all kinds of housing accommodations, and it shows a little over a dollar reduction for every $100 you spent for rent. Those are official figures of the United States Government, and I hope Mr. Whiteford likes them.

Mr. WHITEFORD. I do not know anything about them. I have not heard them read, and there might be a different answer to it.

Mr. BRINKMAN. In Seattle, Wash., rents are lower than our own, compared with the returns in 1914.

In Savannah, Ga., they have gone down more.

In San Francisco they have gone down more.

In Portland, Oreg., they have gone down.

And so on. Those are not my figures. Those are figures of the United States Government, so we can give you any kind of figures you want.

Mr. WHITEFORD. There is no questioning that fact, homemade and hand picked.

Mr. BRINKMAN. On the cost of taxes, the real-estate men here have complained about taxes, and it might be well to insert in the record comparative tax rates of 290 cities over 30,000 population for 1931, compiled by the Detroit Bureau of Governmental Research, over which I have no control.

Mr. RUSH. Are those adjusted figures?

Mr. BRINKMAN. Yes; final readjusted tax rates. They show that Washington has the lowest final readjusted tax rate of any of these cities, $15.30 compared with $24.48 in New York, $22.80 in Minneapolis, and $39.80 in Newark, and so on. I think the table might go in the record.

(The statement referred to is as follows:)

Comparative tax rates of 290 cities over 30,000 for 1931

[Compiled by the Detroit Bureau of Governmental Research from data furnished by members of the Governmental Research Association, city officials, and chambers of commerce]

City	Census 1930	Assessed valuation	Per cent		City fiscal year begins	Date of collection of city tax	Tax rate per $1,000 of assessed valuation adjusted to uniform 100 per cent basis of assessment					Estimated ratio of assessed value to legal basis	Final readjusted tax rate
			Realty	Personalty			City	School	County	State	Total		
GROUP I—POPULATION 500,000 AND OVER												*Per cent*	
New York, N. Y	6,930,446	$19,162,517,014	98	2	Jan. 1	May 1 and Nov. 1	$21.62	$4.90	$0.68	-------	$27.20	90	$24.48
Chicago, Ill	3,376,438	3,094,498,706	81	19	...do	May 15	31.80	20.40	5.40	$3.90	61.50	37	22.76
Philadelphia, Pa	1,950,961	4,768,479,150	73	27	...do	Jan. 25	17.88	9.50	-------	None	27.38	90	24.64
Detroit, Mich	1,568,662	3,358,431,390	82	18	July 1	July 1	15.86	6.78	4.34	3.12	30.10	90	27.09
Los Angeles, Calif	1,238,048	1,765,443,825	92	8	...do	Dec. 5	16.70	16.20	9.80	None.	42.70	50	21.35
Cleveland, Ohio	900,430	2,032,430,540	68	32	Jan. 1	Dec. 20 and June 20.	10.60	11.77	4.38	.40	27.15	80	21.72
St. Louis, Mo	821,960	1,223,311,000	88	12	Apr. 8	Nov. 1	17.20	8.70	-------	1.20	27.10	65	17.62
Baltimore, Md	804,874	2,238,601,796	50	50	Jan. 1	Jan. 1	18.52	5.98	-------	2.50	27.00	90	24.30
Boston, Mass	781,188	2,535,910,000	93	7	...do	Sept. 15	18.02	9.04	-------	1.95	31.50	90	28.35
Pittsburgh, Pa	669,817	1,208,170,080	100	-------	...do	Jan. 1	19.07	11.75	1.89	None.	32.71	90	29.44
San Francisco, Calif	634,394	1,203,343,640	88	42	July 1	Oct. 10 and Jan. 12.	30.75	9.65	8.40	None.	40.40	66	25.89
Milwaukee, Wis	578,249	1,016,238,245	87	13	Jan. 1	Dec. 15	14.61	11.40	5.90	1.02	32.93	73	24.03
Buffalo, N. Y	573,076	1,120,181,005	100	-------	July 1	July 1 and Dec. 1.	17.93	10.01	4.53	.23	32.70	80	26.16
GROUP II—POPULATION 300,000 TO 500,000													
Washington, D. C	486,869	1,318,399,138	83	17	...do	March and September.	11.00	6.00	None.	None.	17.00	90	15.30
Minneapolis, Minn	464,356	330,248,748	86	14	Jan. 1	June 1 and Nov. 1	15.09	8.56	2.70	2.15	28.50	80	22.80
New Orleans, La	458,762	626,478,167	72	28	...do	June 1	18.27	5.95	3.50	5.75	33.47	100	33.47
Cincinnati, Ohio	451,160	1,125,927,580	73	27	...do	December and June.	9.10	7.95	4.65	.40	22.10	90	19.89
Newark, N. J	442,337	887,105,510	83	17	...do	June 1 and Dec. 1.	20.15	9.76	5.99	3.90	39.80	100	39.80
Kansas City, Mo	399,746	497,757,470	74	26	May 1	June 1	13.00	11.50	5.70	1.20	31.40	54	16.95
Seattle, Wash	365,583	311,364,697	81	19	Jan. 1	Feb. 2	18.39	6.75	8.42	5.08	38.64	80	30.91
Indianapolis, Ind	364,161	691,336,210	67	33	...do	Jan. 1 and July 1.	11.35	10.10	3.45	2.90	27.80	80	22.24
Rochester, N. Y	328,132	653,985,216	100	-------	...do	Jan. 1 and June 1.	14.78	11.02	5.84	-------	31.64	78	24.68
Jersey City, N. J	316,715	738,155,751	94	6	...do	June 1 and Dec. 1.	19.35	6.40	9.15	3.99	38.89	100	38.8
Louisville, Ky	307,745	429,850,524	86	14	Sept. 1	Jan. 20	17.20	6.80	4.00	3.00	31.00	80	24.809
Portland, Oreg	301,815	349,718,800	88	12	Dec. 1	May 5 and Nov. 5.	21.80	18.11	5.49	4.40	49.80	54	26.89

Mr. WHITEFORD. You first showed a while ago that Mr. Richards was assessing apartment houses at anywhere from 10, 15, or 20 per cent in excess of what was the cost of them, with the group of assessments you mentioned a moment ago, 40 cents, 45 cents, and 50 cents a cubic foot. Then you show that he is assessing them low.

Mr. BRINKMAN. I am sorry you are unable to distinguish between an assessment and a tax rate. There are some books on that subject that you can study.

Mr. WHITEFORD. If they have arrived at your process of thinking, I do not want to read them.

Mr. BRINKMAN. I was talking about the tax rate, the taxes paid, and not about the assessment.

Mr. LUSK. Have you got any figures to show the ratio between the taxes paid and the income, gross income, the net income, on these buildings?

Mr. BRINKMAN. Between taxes paid and——

Mr. LUSK. Income on the property, gross income and net income.

Mr. BRINKMAN. No. Why should I make a comparison of that kind?

Mr. LUSK. Because if you make it it will be startling to this committee when it is revealed where the money goes. The District government gets almost twice as much money out of these apartment houses as the average owner gets.

The CHAIRMAN. You mean to say over half of the income goes for tax purposes?

Mr. LUSK. An amount equal to nearly twice the net income has to be paid to the District of Columbia government in taxes.

The CHAIRMAN. That is based on the fact that he deducts very extraordinary expenses—depreciation that should not be counted—$14 for every hundred dollars of land.

Mr. WHITEFORD. Mr. Richards says the life of these buildings is 40 years.

Mr. BRINKMAN. I ought to mention the fact about the Rust Co., that these statements show a vacancy of 22 per cent—that they were largely vacant—and of course that raised the operating costs and lowered the amount available to the owners of the properties, because he was only getting $78 for apartments that he ought to have got more for if they were well rented.

Mr. BOWIE. You are using those apartments you hand-picked out of the list?

Mr. BRINKMAN. All of them.

Mr. BOWIE. You put them back when you figure that percentage of vacancies.

Mr. BRINKMAN. I will figure it the other way.

Mr. WHITEFORD. With your figures it is "heads I win and tails you lose."

Mr. BRINKMAN. I do not think the real-estate men in this town are going to lose much.

Mr. LUSK. We have nothing to lose.

Mr. WHITEFORD. No; we have nothing to lose.

Mr. BRINKMAN. Mr. Cafritz is here; and if he has anything to say, I know the committee will be glad to hear him.

STATEMENT OF C. C. MAYER, WASHINGTON, D. C.

The CHAIRMAN. Give your name to the committee, and whom you represent.

Mr. MAYER. C. C. Mayer.

I have been interested as an owner of real estate. My sympathies at present are with the renter, who is between the upper and nether millstones of a condition that he is not responsible for, nor the real-estate men either.

The problem resolves itself, in my opinion, into a control of the use of money at a fixed low rate of interest.

I will review the history of the building at 1820 K Street, built about 1917, when there was little construction under way, at a cost of approximately $45,000. The land value was about $3.50 a foot.

Mr. BRINKMAN. Did that cost include land and building?

Mr. MAYER. Construction of the building, $45,000, land value about $3.50 a foot.

I acquired the property after the rise in values in 1922 and 1923, when it was assessed at $56,000 for the building, and an average of about $1.50 per foot for the land.

In a 5-year period the building remained at the same assessment. The land was assessed at $5.50 at the end of that 5-year period. In 1923 the land assessment was $8,000; in 1928 the land assessment was $28,000, making a total assessed valuation of $84,000, from a prior investment of $64,000, an increase of about 30 per cent.

In 1922 we had a rent commission that valued the property and fixed rates on an 8 per cent income basis, and they fixed a valuation of $92,500, at which price I negotiated the building, figuring that I may make a profit at that price.

The income was then a little under $1,000 per month, $12,000 per year, and the rents had been increased hardly more than 20 per cent above the figures that the rent commission said was a fair return. The only way I got an increased return was by furnishing the apartments and managing them myself, without vacancies. I managed to pay off $3,000 per year on my mortgages each year, of eighty some thousand dollars, for a 5-year period, at the end of which time I had difficulty in negotiating a second trust, due to the absorption of all the liquid funds of the country in the insane governmental promoted gambling in Wall Street, that reached 25,000,000 people, according to the Senate Wall Street committee investigation, and the property was sold at auction much below its assessed value.

The CHAIRMAN. What did it sell for?

Mr. MAYER. $60,000. It cost $45,000. Vacancies ran hardly five per cent at any time. They are now 12 per cent, approximately, and with the additional cost of personal management in the building, necessary expense for a $100,000 enterprise or property.

This particular case, it seems to me, shows the impossibility of regulating rents or fixing the blame on any group of men or any individual, for the high cost of maintenance, taxation, and living. The trouble lies much deeper. It lies with the regulation of the dollar, to get rid of what Senator Capper has spoken of as the rubber dollar, and Senator Borah as the dishonest dollar, the fictitious, fictionary dollar that the insurance companies demand settlement of their mortgages in the so-called gold dollar.

The deed of trust I signed to pay the Prudential Life Insurance Co. called for payments in gold of a certain fineness, so we get down to the bottom of our money problem, and if we do not have some honest money, governmentally controlled, it is impossible to fix rents or fix prices or control the business in any direction that you may aim to do.

Senator KING. You are advocating inflation by the issue of greenbacks?

Mr. MAYER. No, sir; I am advocating what Jacob Coxey did 40 years ago, issue some paper money, retiring Government bonds that call for 4 per cent interest.

Senator KING. And issue paper money?

Mr. MAYER. To a very limited extent.

Senator KING. I am not criticising you.

Mr. MAYER. Not in the trillions, but approximately 40 or 50 per cent what we have done for destructive purposes, and now for constructive purposes.

The CHAIRMAN. Thank you.

(Whereupon, at 12.45 o'clock p. m., the hearing was adjourned until 10.30 a. m. to-morrow, Wednesday, December 21, 1932.)

RENTS IN THE DISTRICT OF COLUMBIA

WEDNESDAY, DECEMBER 21, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present: Senators Capper (presiding), Kean, King, and Copeland.

Present also: O. H. Brinkman, Esq., counsel on behalf of the committee; Roger J. Whiteford, Esq., counsel for the Washington Real Estate Board.

Senator COPELAND. I assume that you have some definite proposal to make to us now. I was not at the meeting yesterday and I could not ask you yesterday, but we had an understanding you real-estate men were going to bring in some definite plan for the reduction of rent.

Mr. WHITEFORD. I do not know that we could go so far as to call it an understanding. I know you made the inquiry two or three times. We have talked about it a great number of times, but I do not see that there can be any plan about it.

Senator COPELAND. Are you afraid it might be a conspiracy?

Mr. WHITEFORD. A conspiracy between the committee and the real estate men at the expense of the owners?

Senator COPELAND. A conspiracy in restraint of trade that would bring you up against the law.

Mr. WHITEFORD. No; we are not worried about that law, either way. It is like our friend Cleveland said, "The only way to resume is to resume," and the only way to reduce rents is to reduce rents, but the people that can reduce rents must reduce rents to get their tenants, and I think they are reducing those rents. I have no doubt in my mind that there are plenty of reductions being made.

Senator COPELAND. I have an idea that the agents here are embarrassed by the owners. You have hinted at that, that the owners insist on certain rent. Probably the agents are embarrassed by reason of the attitude of their principals.

Mr. WHITEFORD. Of course, the agents can not go contrary to the instructions of the principal. There are many owners that have certain fixed ideas about what they want in the way of rental return, and a lot of them are under the necessity or compulsion of

just getting enough money to keep their properties alive and hold on to them. There are two sides to every question, and these owners are in a position if they do not continually get the income they are getting they will lose their properties.

Senator COPELAND. What would be the effect upon the rents if we were to go forward with plans for a material reduction in rent, to the extent of wiping out the equity that now exists, so that foreclosures would come, and what some might speak of as water in the security, that would be squeezed out—what would then be the effect upon the rent? Would these new owners, these people that foreclosed, continue the rent in existence, or would there be a material reduction, in your opinion?

Mr. WHITEFORD. I do not think so. The property must yield a fair rate of return, upon the fair value of the property, not upon the investment that is in it; and when you go back to the time when we had the rent commission, property owners under the rulings of the rent commission got a rate of return of about 8 per cent; they tried to work it out on what they considered a fair value on the property, not on the basis of a man's investment.

You can not confiscate a man's property by arbitrarily reducing rents, any more than you can take it in a condemnation proceeding without a fair compensation.

The CHAIRMAN. I desire to have incorporated in the record at this point a letter which I have received from Miss Susan L. Davis, dated December 21, 1932.

(The letter referred to is as follows:)

1500 VERMONT AVENUE NW.,
Washington, D. C., December 21, 1932.

Hon. ARTHUR CAPPER,
Chairman District of Columbia Committee,
United States Senate, Washington, D. C.

DEAR SENATOR CAPPER: A mistake was made in transcribing the name of the man who blacklisted me in regard to rents in the District of Columbia, when the hearings were printed of the day I appeared before the rent investigation, to assist you in righting the wrongs done to the people by the real-estate men here.

On page 238 in part 2 of said hearing, the name McSweeny has been substituted for Houston McCeney, and this renders my statement on this point worthless to me. Please correct this egregious error.

Yours sincerely,

SUSAN L. DAVIS.

Senator COPELAND. Suppose these mortgages were foreclosed and the property turned over to the owners of the mortgages at the face of the mortgages, would that not then represent the value of the property?

Mr. WHITEFORD. No, sir.

Senator COPELAND. You think not?

Mr. WHITEFORD. No, sir. How could that be so, Senator? Suppose you and I have two identical pieces of property, and we had buildings practically identical. You have a trust on yours and I have not any on mine. You lose your property through foreclosure, and we will say the two properties were valued at $1,000,000 apiece; we both paid that—there is a $600,000 trust on yours and none on mine—yours is foreclosed, because you are unable to pay your interest and taxes. Has my property become worth $600,000 because the insurance company that has foreclosed yours and taken yours over, has only $600,000 in it? That would not be the standard.

You have got to have some standard that applies to everybody, and you can not take it on the basis of the individual's investment. I might have received my property in a will or it might have been a gift. The investment I have in it is not the basis upon which the rent should be computed.

Senator COPELAND. I recognize the force of much that you say, but at the same time you gentlemen realize that there is resting upon us the responsibility to have lower rents or a readjustment in the District of Columbia. I still believe it would be possible for the real-estate men, if they were so disposed, to work out some plan which should be presented to the District as the proposal of the real-estate operators.

STATEMENT OF ROGER J. WHITEFORD, ATTORNEY FOR WASHINGTON REAL ESTATE BOARD

Mr. WHITEFORD. Here is a suggestion that I have had in mind: I have been thinking about it since the snowstorm Saturday, when you suggested it. After all the position of the broker is one of an advisor and counsellor in real estate matters, to the owner. He is an agent to do the manual work, to see that employees are hired to operate the property and collect the rent, but he is also an advisor to the property owner. His experience is larger than the experience of the individual property owner. He has a composite picture of the real estate situation where an owner ordinarily sees his own building.

It occurred to me it might be possible that the members of the Real Estate Board—they are only 135 out of, roughly, 400 real estate brokers in Washington, so that I am still speaking for a small unit—it occured to me we might get the members of the Real Estate Board to agree among themselves or resolve that they would take up with their individual property owners the housing situation as we have seen it, as we have talked about it across the table, as they have learned it, both sides of it; take up with each individual property owner all the properties they have in their respective offices, bring them into the office, and have a conference, and go over the apartment project, showing them just what they are doing, what his return is, whether he could not shave that more and help meet the public need in cutting the rents down.

I can see no reason why the members of the Real Estate Board or any other real estate broker should not be willing to advise with his principals in that fashion, and it might result in a very substantial benefit.

The CHAIRMAN. Could that be done right away?

Mr. WHITEFORD. I think that could be done. As a matter of fact, Mr. Bowie, and I have talked about that. We talked about it yesterday, and I think he agrees with me it is feasible that we should recommend it to the members of the board. For that matter it would be only a recommendation to the other brokers of the town not members of the board. If the board started that kind of a movement with the owners, to try to visualize for the owners what the brokers themselves know and understand, it might help a great deal.

Do you think there would be any unwillingness on the part of the brokers generally, so far as you know, to take that situation up with the owners?

The CHAIRMAN. Would it not be well to call a meeting of owners and go over the whole subject?

Mr. WHITEFORD. When you call a mass meeting of owners of properties, that I do not believe can cover the situation. It is an individual problem. It is not a mass problem, generally speaking.

Your apartment house may be one where the rents are $40 or $50 a month. Senator King may have one where the rents run $125 a month. It is not those apartments we are interested in, as it is the lower schedules. Not only that, but you may be in fine financial shape. You may have a small loan that does not require curtailing, and the things you can do, I can not. All those matters are individual. They are personal in each case, and the broker would be aware of that, and it would be trying to cut the coat to fit the cloth in every case.

Senator COPELAND. I think that if this were done it would be a handsome thing for these men to do. I think if it were done it should be done by that group and not by us. This is a matter which they, themselves, have to fight out. I am convinced from these magnificent figures which were made, this splendid survey——

Senator KING. You mean by Mr. Lusk?

Senator COPELAND. Yes. I am convinced there are inequalities. I am thoroughly convinced that there are some houses where the rent is small in proportion to the investment. There are others, on the other hand, where the returns are excessive, and if we could have these men agree to get together and talk this matter over, it would help the situation. There is very little we can do before the holidays, but I think immediately after the holidays they ought to come to us for some definite proposal, and that would be a very nice thing if it could happen.

Senator KEAN. Yes.

The CHAIRMAN. The psychology of the situation might be if these people should get together and seem to be making a sincere attempt to adjust this question, all these differences, and try themselves to get on a fair basis where all would participate in a program of reduction—if they would get together I am sure it would help the matter. Some of them made reductions that are worth while, but there are a lot of others who have done nothing, according to the testimony that comes out.

Senator KEAN. Mr. Chairman, the witness stated that what you have invested in a property is not its value. You stated that?

Mr. WHITEFORD. Yes; that is frequently true.

Senator KEAN. I know only too well it is true. That being true, why a lot of these people unfortunately have invested money at very high prices in these properties, figuring that they could get a return on that money.

Senator COPELAND. They have put in more money than they ought to.

Senator KEAN. Yes; they made a larger investment than the property is now worth. That is the trouble with the whole situation.

Senator KING. Is that not true on nearly all the loans made by the farm banks and joint-stock land banks?

Mr. WHITEFORD. And by individuals here and everywhere else.

Senator KING. There has been a great shrinkage in the value of property.

Mr. WHITEFORD. If you bought bank stock, the finest of our bonds that the country's financial market afforded, there is too much money in it, in real estate, farms, and everything else.

The CHAIRMAN. It seems to me during this period that we are going through, this economic depression, there has got to be a liquidation all along the line.

Senator KEAN. There has got to be a liquidation from this standpoint: During the war there was a tremendous inflation by every country in the world. Everybody inflated because they were destroying capital. They were destroying capital and shooting it away, feeding soldiers—that was a destruction of capital. Now you have got to the point where you are paying for that destruction of capital. We have all got to pay for it. We have all got to take less money. We have got to take less salaries, less wages; we have got to take less income. We have all got to pay for it.

Mr. WHITEFORD. We will have less capital

Senator KEAN. We will have less capital. That capital was destroyed in the war, and we are suffering from it, that being true, you have got to show that to your people, tell them that they have got to take their loss, We have all got to take it.

Mr. WHITEFORD. To go back to our original text, Senator Capper suggests the calling of these individual property owners together. Of course, the board has no possible way of inducing them to come in. They are men that are busy, and they may come in and they may not. I am sure that various brokers for whom I can speak would be willing to try to do that, but it might be that if it could be said that any of you gentlemen would come and talk to them about the situation, that might help get them together, if Senator Capper or Senator Copeland or any of you could explain your views—we will try to do it, but I doubt if we can get a group together.

Senator KEAN. I think you would get much further talking individually.

Mr. WHITEFORD. Each man has an individual problem. His financial circumstances are different, his scale of rents is different. It may be a lot of men have their buildings full and the tenants reasonably satisfied. You take the rent of that building of Mr. Sager, where he rents six rooms and bath for $85. You can not ask him to reduce that. So it is, for instance, in that apartment, very reasonable. I asked him to say it a second time, and it is really a very modest rent.

Mr. BRINKMAN. His own circular shows there are no 6-room apartments. The largest one is five rooms.

Mr. WHITEFORD. Maybe it was five.

Mr. BRINKMAN. He said six, but his own circular shows five.

Mr. WHITEFORD. Five rooms, kitchen, and bath.

Mr. RUSH. Commonly called a 6-room apartment.

Mr. WHITEFORD. A kitchen is a room.

Mr. BRINKMAN. Not the kitchens they have in Washington. They have a cubby-hole.

Mr. WHITEFORD. You do not have to have a kitchen as big as a barn.

Mr. Bowie, do you feel that we might say to the committee that we will get the board together, the executive committee, or the directors of the board, and recommend to the various members that they take this situation up with their individual property owners?

Mr. BOWIE. Yes. I think we can say that, and I can say further that I have discussed with the present president of the board just what Mr. Whitford has stated that we could only, however, use our influence as far as that will go.

The CHAIRMAN. Can you give us some assurance that something definite and concrete will come out of that? Just simply to have you people talk it over is not enough. The committee would have to have something that would really show the public here that they are going to get some benefits from the efforts of this committee.

Senator COPELAND. Mr. Chairman, I want to say a word along the same line. It was because of my comment the other day I assume that these men have been talking the matter over. I want it understood myself—and I believe I speak for the committee—that in making this suggestion we are not waiving our right and our duty to go forward with the investigation.

The CHAIRMAN. Certainly not.

Senator COPELAND. It is our purpose to go ahead with this investigation unless we do have some very positive assurance of achieving the same thing in another way, but we have done a fine lot of work through Mr. Brinkman and the members of the committee and we must not stop it. We have got to go forward with it, but enough has been developed to make it very apparent to me, at least, that there are inequities and inequalities in the pricing of apartments. They must be corrected. If those corrections can be made in a peaceable, decent, splendid way that we are talking about here, that is fine and desirable, but the public must not get the idea that this committee has surrendered by any means, because we have not.

I know this, that regardless of what may happen in the reorganization of the committee under another administration there will not be any change of sentiment as regards this issue, because it has not been a political one in any sense. It is humanitarian, and so it is only right that all those interested in this community should know that the committee is going forward in its work, but it hopes that it will not be necessary to go as far as it anticipated, because of voluntary action on the part of the real estate owners.

I think I have stated the facts.

The CHAIRMAN. Your remarks are right to the point, Senator, just what I have in mind. I have no doubt the members feel the same way.

Senator KING. I want to supplement what the Senator stated, that I should be glad if Mr. Bowie and the attorney for the board would take cognizance of what I am about to state:

A number of persons have been to see me, very distressed, who have given mortgages or trust deeds, and the holders of those mortgages or trust deeds, in the hands of the real-estate men are pressing and threatening to advertise and oust the persons from possession of their property. A distressing case came to me a few days ago. I called Mr. —— I will not mention his name now—I called the real-estate broker who was handling the loan. I am not sure his company did not make the loan. He was threatening to advertise

the property and sell it instantly, that is, as soon as the advertisement was over, and as I stated the other day, we have no provision here for redemption, and we must have that.

I think it is not to the credit of the District or the real-estate men or the loaners of money in this city that may fight or oppose a reasonable period for redemption, but this property was to be sold. The poor woman who came to me was distressed. I called the owner up, or the holder of the mortgage, and I received a letter this morning, wholly unsatisfactory. I am going to insist the committee bring every real-estate man before it that is threatening to sell real estate under these foreclosure proceedings, or under the trust deeds.

Senator COPELAND. They are hardly the agents. They are loan agents.

Senator KING. Some of these real-estate men hold the mortgages themselves, but whether they are banks or whatnot we want to see if we can not have some understanding, so that there will be a little mercy shown in this depression.

Mr. WHITEFORD. Where taxes and interest are being kept up, or a fair rate of interest, I think the holders of the mortgage ought to hold off and wait. I have a number of clients in the same predicament. The loans are large, and I have been able to work out a very satisfactory situation with the Washington Loan & Trust Co. They did not foreclose. They could have. My client can not meet the loan. It ought to be curtailed. It could not be done. We have agreed to go along. They have agreed to handle the property and see that no income is diverted. They have been very fine about it, in a very large transaction, but where the interest and taxes are being kept up.

I think they ought to, and I think many of them are showing a desire to go along.

Here is what happened in some of the instances: Take a real-estate office like Mr. Bowie's office, or the Saul Co. They may make a loan of $5,000 on my house, and they may sell that note to you. It is due. You want your money. You need it. You need the money for reasons best known to yourself. I can not pay it. They are in the middle. They can not replace the loan with someone else, yet you want your money and I can not pay. That is the situation that frequently arises in respect to those loans, and there being such a scarcity of first-trust money, there is no way that you and I both can be relieved. I am entitled to a loan, but if Senator King is going to make a new loan it will be on the basis of the value now, and he will say, "I will not loan $5,000 on Whiteford's house; $3,000 or $3,500 is enough." We are neither taken care of. That is the problem you are up against. I think there should be a friendly, cooperative spirit.

Senator KING. You pay the interest on the loan and you pay the taxes, and the bank examiner comes in and says, "It looks to me as if this property is pretty high. There is nothing paid down on the loan. If you can not get something paid I will mark that as a doubtful loan."

Mr. WHITEFORD. That is happening right now.

Senator KEAN. When the bank examiner gets through he has made half the loans in the bank doubtful loans, and you say "Where do we get off?"

Mr. WHITEFORD. That is right.

Senator KEAN. If he makes you write them off, your surplus is gone, or else your bank is "busted" or something. That is going on all over the country to-day.

Senator COPELAND. Senator Kean, there is growing sentiment in the Congress—I do not mean to say now that it is liable to come to a head in a minute, but I perfectly surprised when I talk with conservatives in the Senate, not radicals like Senator King and myself, but conservatives. I am amazed at their belief that there must be found some sort of a moratorium on this mortgage business. I realize that it is very difficult for the Congress of the United States to tamper with the Constitution and declare a moratorium. What would happen in this country if you had a moratorium on mortgages? What would be the effect of it?

The CHAIRMAN. Both political parties declare in their platforms a program of refinancing, which is in one fashion a moratorium.

Senator COPELAND. What would be your answer, if we had a moratorium?

Mr. WHITEFORD. You can not answer that in five minutes.

Senator KEAN. For instance, the bank examiner comes in and says, "I do not like this loan, this and that, and I do not like this."

Senator COPELAND. If you had a moratorium he could not say that.

Senator KING. You would have to have a moratorium on the depositors so they could not draw their funds out. Suppose you had a moratorium and the bank loaned your money and all the money and we would go to the bank and say "We want our money;" they can not pay it unless they can collect from those that are owing, so there is a circle. That is the reason that Mr. Whiteford said the banks are liquid but they are afraid to loan, because next day there may be a run on the bank, as has been the case.

Mr. WHITEFORD. Take the Perpetual Building Association. We had a run on that association here two years ago, and the Perpetual Building Association is one of the strongest building associations we had. Mr. Fleming of the Riggs went down with half a million dollars in cash, in money, and Mr. Poole of the Federal American went there to stop that. If anything like that should start, the banks would have to be in a position to take care of it.

Senator COPELAND. That is the reason we put a couple of billions in the Reconstruction Finance Corporation.

Mr. WHITEFORD. You did that afterwards. They are seeking to amend the bankruptcy law, and Senator Hastings has offered a good provision, that when the bankruptcy petition is filed, and frequently it is filed because of the fact that two or three little creditors would not wait. The bigger ones would go along and let the bankrupt work out his own salvation, but under the law as it now is they have to declare him a bankrupt.

Senator Hastings has put in the amendment that if the majority in number and amount of creditors vote to let him go on and operate his business, that then the court must let him do it, and that will prevent a lot of these quick bankruptcies, where some fellow owes $250 or $400, where the big creditors are willing to go along, the property has to go through bankruptcy, and they lose when they

would go along. There is a hearing on about it this morning. It is a very salutary amendment.

Senator COPELAND. We may get some good laws out of our difficulties. I think it is an outrageous thing where a man has had a loan of $10,000 or $5,000 on a home, a short-term loan, and when it comes due he has got to pay the same commission and the same blood money to get a renewal of that loan that he paid in the first place to do it. That is exactly what happens with a lot of these fellows that have mortgages on their homes.

Mr. WHITEFORD. He can not do it at that, now.

Senator COPELAND. He will be bled to death before he gets his renewal.

Mr. WHITEFORD. Senator Copeland, I just asked Mr. Bowie if there was a contemplated meeting of the members of the Real Estate Board, not the directors, but the entire board, and the national association is going to have a meeting here in January, and our board is planning to have a meeting to precede that. Those meetings could probably be called and held within the next week or 10 days.

Mr. BOWIE. January 5 is the next day set.

Mr. WHITEFORD. That would be a meeting of all the brokers.

Senator COPELAND. Could you not have a meeting between Christmas and New Year's?

Mr. WHITEFORD. If we can get a meeting of these brokers would you come down and talk to them at that meeting?

Senator COPELAND. I am going away Friday night.

Senator KEAN. I will not be here.

Senator COPELAND. Senator Capper will be here.

The CHAIRMAN. Senator King will be a good man to talk to them.

Senator COPELAND. If you get a meeting I will undertake to get the chairman to come down with me.

The CHAIRMAN. I will be glad to come.

Senator COPELAND. You have heard this discussion. It is sometimes difficult to put it into the heart of the other fellow, but if we can help you to do this, I think we ought to do it, because that is the happy and proper way to bring it about, if we can.

Mr. BOWIE. Along the lines we have been discussing, I would like to ask Mr. Whiteford to tell you something about the activities of the National Association of Real Estate Boards in connection with the chain-store leases, which are a great burden to them at this time, because they find the rates so much higher than their business will stand at the present time.

Senator COPELAND. Chain stores?

Mr. BOWIE. Yes, sir.

Mr. WHITEFORD. Yesterday you were not here, but I mentioned one circumstance that shows what the national association is doing and what some of the local boards are doing.

In the case of these chain-store leases, a number of all these chains have subsidiaries in the various cities; those subsidiaries make these leases. Now, then, an attempt has been made on the part of a number of chain organizations to put these subsidiaries in bankrupty to break those leases, claiming the rent was made at a previous time and is too high, that they can not live under it.

The national association has appointed a committee, scattered all over the country, to negotiate between the chain organization and the landlord, to try and find a common ground for the two of them.

Over in Philadelphia Liggett's subsidiary filed a petition in bankruptcy to break the chain-store leases, that is, in Philadelphia, several of them. The real-estate committee got interested in the matter, and finally it was presented to the judge in the bankruptcy court there, and he looked into it, found that perhaps that motive was the real underlying motive for the bankruptcy. He announced he would continue the case until the 1st of February.

This was about a month ago, and he advised the lawyers they would have to get a committee from the community real-estate men, a couple of lawyers on it, if need be, and solve the difference between the landlord and the chain store in this matter, then come back to the court.

That committee was approved by the court. The president of the Real Estate Board here was picked as one member of that committee, Mr. Bangs. Mr. Bangs has been over there for two or three weeks working on it. That effort is being multiplied over the country. The Real Estate Boards are endeavoring to bring about a reconciliation of the differences of that character, particularly in an advisory capacity, just in that effort to keep the ship afloat.

Now, one other thing I want to say to you, Senator, that perhaps you did not know: After the Ball rent law ceased to operate in the District of Columbia, the Real Estate Board made the representation that they would have a committee to try and continue to equalize these differences, to try to meet the tenants who were unduly burdened, and the Real Estate Board did have a committee that functioned for a year or two after the Ball rent law ceased to operate, to do just what we were talking about a moment ago, to try and get the landlord on some basis with his tenant that would satisfy both of them. The Real Estate Board did perform that service here, and did it very acceptably. It could not see all the thousands of people that might make complaints. It did see hundreds of them and did do good work in an advisory way.

Out of that previous experience I think that if we can get a fair mass meeting of the brokers and have you and Senator Capper come and talk to them, give them your views, backed up with that they can take this matter up with their owners and accomplish some satisfactory results. They are willing to try.

Senator COPELAND. It is worth trying.

Mr. OLDEN. In addition to that suggestion, I find the people I have been representing will not be materially helped by a meeting of the Real Estate Board, because the evils from which they suffer are brought about by the owners themselves. A number of those apartments are owned, and the rents are collected, either by the owner or an agent of the owner, who is not a real-estate broker.

The CHAIRMAN. The committee has in mind getting at these owners.

Mr. OLDEN. You said you and——

Senator COPELAND. You did not hear what I said. We are not going to stop our efforts. We have got these alley dwellers to think of. We have got a lot of things to deal with.

Mr. OLDEN. What I am suggesting is some method by which the whole proposition can be covered in this meeting where Senator Capper and Senator Copeland will address the real-estate brokers. They represent 135 real-estate firms, and there are 265 others, or more, that will not be there in connection with this meeting, and those people are still holding their rents up. How are we going to reach all these folks so the benefits will come? They represent the largest real-estate firms.

Senator COPELAND. Do you not think the men you are talking about will be influenced by the action that the Real Estate Board takes?

Mr. WHITEFORD. We will invite nonmembers of the board to be at that meeting, as a kind of a mass meeting of real-estate brokers and owners.

Senator COPELAND. Call the men before they come into the meeting so they have not any guns.

Mr. WHITEFORD. We will have a rack there to put those on.

Mr. BOWIE. A great majority of the property rented in Washington is handled by members of the Real Estate Board.

Senator COPELAND. The property the gentleman speaks of?

Mr. BOWIE. Yes.

Mr. OLDEN. We want you to handle all of them.

Senator COPELAND. They will be invited to this meeting?

The CHAIRMAN. What we have in mind is, it appears to the interest of the Real Estate Board to go back to the members of their board and to the owners, telling them what has developed here. We find that a great many of these owners of apartments have not reduced rents, and we want this thing on a more equitable basis, and then, too, it will bring greater benefits to the tenants.

Mr. WHITEFORD. Senator Copeland, how about next Thursday night?

Senator COPELAND. Whether I can come or not depends upon illness in my family. My father is very ill, but I suppose Thursday would be as good a time as any.

The CHAIRMAN. That will be all right, so far as I am concerned.

Senator COPELAND. If I am not there, certainly Senator Capper and Senator King will be. I am interested. If it is possible to come I will do so, because I feel much might be accomplished in such a hearing. I will mark it down in my book for Thursday.

Mr. WHITEFORD. We will try to get out a letter this afternoon explaining the purpose of it.

The CHAIRMAN. Mr. Brinkman, is there some more testimony?

Mr. BRINKMAN. Yes.

Mr. BOWIE. Mr. Chairman, Senator Copeland has asked the question several times that I do not think has been very clearly answered, that is, the question, Senator, of what the effect would be upon the rents if the mortgage on an apartment house is foreclosed. I can say this, I think very definitely, that when the holder of a mortgage takes over a property, he immediately wants to dispose of it. I do not think he would reduce the rents. I do not think he would bring it back to a point where there might present a return on only the mortgage, because in many cases to-day the mortgage represents the value of the property. He will endeavor to sell it, and the return from the property being such an important item, he must

keep it up in order to dispose of it. There will be no reduction as the result of foreclosures.

Senator COPELAND. He would not take it over with a view to continuing its operation. It would be simply with a view to disposing of it to another owner, and he would, therefore, wish to have the income as great as possible.

Mr. BOWIE. We have on our books about $35,000,000 in connection with our negotiation for the Prudential Insurance Co. Many of them are apartment-house loans. We have had to take over one building upon which we had made a loan for them of a quarter of a million dollars. We have been trying for two years to sell it for a quarter of a million dollars. The rents simply at the present time have shrunk so they do not justify that valuation.

Mr. Richards spoke yesterday of fixing his taxes on a basis of six or seven times the gross rent. We used to be able to sell apartment houses on that basis. Now you can buy them for four and five times the gross rent to-day, if you can find anyone willing to put their money into it.

Senator COPELAND. Was that the rule in the old days, six or seven times the gross rental?

Mr. BOWIE. We used to calculate the value on that basis, yes, sir; and that usually hit around 15 per cent gross. We regarded a building, if it was a good modern building, where we could figure its value on that basis, that we were pretty nearly correct. We used to make loans a few years ago on the basis of four times the gross annual rental, supposing it to be a modern, up-to-date building, but that has been very materially reduced now. Under present conditions there is practically no money available for apartment-house loans.

Mr. WHITEFORD. I have heard it frequently said in the newspapers and one place or another, lenders foreclose and get the property. The average man that lends money does not want to be in the real-estate business. He does not want the property. He would infinitely rather not have it.

Foreclosures do not take effect the day the interest or taxes are in default in this city. They go along. There are plenty of cases where they are six months and a year. In one case just yesterday a foreclosure was called off where there had been no interest paid for a solid year, and the holder of the trust advertised the property. By the time the advertisement had run, the owner had paid up his interest.

The average man that lends money does not want to be in the real-estate business. He does not want the properties. If he has to take them in, he wants to sell them. He is not equipped to handle it.

Mr. BOWIE. These regional men from the Prudential, who cover certain territory throughout the country, are supervising the property that they have had to take in under foreclosure. Those men are given a bonus for each piece of property that they can dispose of. They give them prizes to help.

Apart from the apartment house I referred to, the Prudential has had to take over quite a number of dwelling houses, totaling approximately half a million dollars. We have been able to dispose of those properties for the Prudential, even in these times,

and they have come out without any loss. We have a very good record here in that respect.

Mr. BRINKMAN. I think in five minutes I can cover the discussion you have been carrying on.

I would like to make some comments on what the committee has been discussing.

The CHAIRMAN. All right.

STATEMENT OF O. H. BRINKMAN—Resumed

Mr. BRINKMAN. You have been talking, for instance, of what happens when a foreclosure takes place. The Rust firm took in the Clifton Terrace Apartments at $750,000. The income from that property is sufficient to produce a net return of about 13 per cent on the investment. They took the property in at $750,000. I think a test of the genuineness of the promise that has been made here to reduce rents would be to ascertain now, in that particular case, whether the insurance company represented by Mr. Bowie's firm will reduce rents. The present rents will produce 13 per cent on the investment.

Mr. BOWIE. Mr. Chairman, it is already in the record with reference to Clifton Terrace, that there is $850,000 involved.

Mr. BRINKMAN. You said there was a subordinated mortgage.

Mr. BOWIE. Yes.

Mr. BRINKMAN. Who holds it?

Mr. BOWIE. We do.

Mr. BRINKMAN. The Rust Co.?

Mr. BOWIE. Yes.

Mr. BRINKMAN. What was that, a second mortgage?

Mr. BOWIE. It was not. It was a subordinated portion of the first mortgage.

Mr. BRINKMAN. You sold that to your clients?

Mr. BOWIE. We did not.

Mr. BRINKMAN. You held it yourself?

Mr. BOWIE. Yes. It is in this record, and it is in the record of these hearings that since we have taken that property over it has netted the owners 3 per cent return.

Mr. BRINKMAN. You have made very large improvements and renovations out there, because the property was run down, and there were a great many vacancies, which you filled. When you get the property into first-class shape, those rents you are charging undoubtedly will produce 10 to 12 per cent.

Mr. BOWIE. I am not surmising. I am giving you figures.

Mr. BRINKMAN. I am not surmising. I am telling you the figures of the Bliss Co. and all the other property as shown in the survey indicates half of the gross income can be devoted to profit.

Mr. BOWIE. Have you lost sight of the statement Mr. Richards made here yesterday, over a period of a term of years an owner would be lucky if he got 5 per cent return?

Mr. BRINKMAN. That was merely Mr. Richard's opinion.

Mr. WHITEFORD. You take one opinion that 50 per cent of the gross income represents cost of operation. That is an opinion that suits you, and the other does not, but his testimony was equally explicit in both instances.

Mr. BRINKMAN. No; it was not. He had actual figures in one case. In the other case when he said 5 per cent, he had no figures.

Mr. WHITEFORD. I want it understood, as far as I can see, it is not to be expected the real estate men of Washington are going to treat it on Mr. Brinkman's theory. You might as well understand that now.

Mr. BRINKMAN. I am not worrying about the real estate men.

We had Mr. Sager, who said he had a property over here, and admitted the figures showed a return of 13 per cent. The only reductions made had been about $2.50 on the highest apartments, from $87.50 to $85. We asked him why he did not make reductions, and he said he had to make curtails. There is a situation where the insurance company could help. Why call on that man to make curtails? Why not let him reduce his rents?

Mr. WHITEFORD. Suppose you induce the insurance companies to do that. We will delegate you, and I guess Mr. Sager would appoint you and pay you a right substantial fee if you can get the insurance companies to do that. There is a good job for you to make a few dollars for Christmas.

Mr. BRINKER. Why not reduce the man's interest there?

Mr. T. F. Schneider's books show the insurance companies and other companies formerly loaned money, 20 years ago, for 4 per cent, and now they get 6 and 6½ per cent. If the committee wants to, they can call the insurance men down here, the heads of these insurance companies, and ask why they do not reduce their rates. They formerly loaned money at 4 per cent. They are only obligated to pay the policyholders 3 and 3½ per cent. In many cases they have reduced the dividends to policyholders, and there is no reason in the world why they should not reduce their interest rates. Those are practical facts, no theory about them.

In the report I covered that situation and showed the insurance companies had reduced their dividends, and said they had large surpluses of funds which they could not invest profitably, yet they are calling upon the owners to make curtails.

I could read into the record an article from the New York Times.

Mr. WHITEFORD. The insurance companies have large funds to invest?

Mr. BRINKMAN. Yes. I will be glad to read that into the record.

Mr. WHITEFORD. The best evidence of that would be the insurance companies' statements. If there is any insurance company with large surpluses of funds to invest, it is entitled to a medal. I would like to know what one it is. It was only up to last summer that the outgo on policy loans was way beyond the premium receipts.

Mr. BRINKMAN. Senator Kean pointed out that is over.

Here is a clipping from the New York Times of November 14, 1932—you all know that the New York Times is considered a financial authority. It has what is considered the most reliable of the financial pages in the country, and I quote from it:

> After withstanding three years of depression, the country's life-insurance companies are preparing to take further steps to make their financial stability doubly certain, regardless of what the economic state may hold. Indications are that some actuarial adjustments and a general downward revision of dividend payments will result. Some of the larger companies have announced that they will make reductions up to 25 per cent in dividends to be paid. Indications are that the mutual companies will be obliged to reduce dividends for the coming year.

Incidentally a number of companies have. I have in mind the Northwestern Mutual and some other companies.

> Any offerings of eligible bonds have been scarce in the past three years and the companies have had difficulties in reinvesting the proceeds of maturities that have failed within the period, as well as in investing the millions of funds coming in under the new underwritings. Instead of being able to invest in bonds, yielding from 3½ to 6 per cent, they have been obliged to keep millions of dollars in cash, in short-term-loan yields, Government obligations, and in call loans, returning about one-half of 1 per cent.

Yet they have not reduced their rate of interest of 5½ or 6 per cent on loans here, and I think some investigation should be made of that.

Senator COPELAND. Are they asking a lower rate of legal interest?

Mr. BRINKMAN. I do not know.

Senator COPELAND. What is the legal rate in the District of Columbia?

Mr. BRINKMAN. Six to eight per cent.

Mr. WHITEFORD. Eight per cent if they contract for it, and if they do not, it is six. There are a number of real-estate loans at 5½ per cent.

Mr. BRINKMAN. A number of these property owners would probably reduce rents if they could get a lower interest rate or avoid having to make these burdensome curtails.

Senator COPELAND. It would be interesting to inquire what would happen to loans in the District if the legal rate were lowered.

Mr. WHITEFORD. There are two answers to that. In the first place, it would not make any difference to-day whether the legal rate was 2 per cent or 10 per cent. You could not get the money to-day. When money becomes available and you have a maximum rate of 3 per cent the money is going to go where the interest rate is the highest. You would not get any loans here and you would not have any money here.

Senator COPELAND. You would have if all the States did the same thing, and they may do that.

Senator KEAN. Then you would have the money go abroad, and it would be loaned there at a better rate of interest.

Senator COPELAND. Then there is no hope, is there?

Senator KEAN. It is just the same as when money was 6 and 8 per cent in Wall Street the Bank of France sent over a billion dollars and loaned it in Wall Street.

Senator COPELAND. What makes me so mad is that it always comes to this, "No, there is nothing we can do."

Mr. WHITEFORD. Yes; we can.

Mr. BRINKMAN. Yes; we can.

Mr. WHITEFORD. It is a painful and tedious process. There is no royal road. You can not lift yourselves up by your legislative bootstraps. As Senator King was talking a minute ago, we went through the time when stenographers and manicures and charwomen were buying one share of stock, two shares of stock, in odd lot sales, gambling, gambling, gambling, until the values got so high, they were higher than a cat's back, you could not see them at all. We have got to pay for that now. It is going to hurt.

Mr. BRINKMAN. In a case where a building is mortgaged for $200,000 and the interest is 6 per cent, if that interest rate were lowered to 5 per cent and some of the excessive commissions charged for renewals every three years on these loans were eliminated, you would have a saving in interest charges and commissions of $2,500 on that loan. The usual rental of a building of that type is about $33,000. You could give the tenants of that building 7½ per cent reduction in their rent, without diminishing the return to the owners at all, simply by lowering the interest rate 1 per cent.

Mr. BOWIE. Do you mean a building that you would loan $200,000 on would only produce $30,000 a year?

Mr. WHITEFORD. That is the worst loan I ever heard tell of.

Mr. BRINKMAN. $33,000.

Mr. BOWIE. Nine times.

Mr. WHITEFORD. You talk about vicious loans. I am surprised at how little you know after all your study about this.

Mr. BRINKMAN. Thank you for the insult.

Mr. WHITEFORD. That is what it is. It is ridiculous. Talk about inflating loans and expenses, and talking about a loan of $200,000 on $30,000 a year income.

Mr. BRINKMAN. I do not mind it a bit. I think it is a good thing to go in the record.

The CHAIRMAN. We will have to continue this until to-morrow. We will adjourn until 10.30 o'clock to-morrow.

(Whereupon, at 12 o'clock meridian, the hearing was adjourned.)

RENTS IN THE DISTRICT OF COLUMBIA

FRIDAY, DECEMBER 23, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to the call of the chairman, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present, Senators Capper (presiding), Kean, King, and Copeland.

Present also, O. H. Brinkman, Esq., counsel on behalf of the committee.

Present also, Roger J. Whiteford, Esq., counsel for the Washington Real Estate Board.

Senator CAPPER. I desire to have incorporated in the record at this point a letter addressed to me by J. H. Patten, dated December 13, 1932, inclosing a copy of letter which he wrote under date of November 26, 1932, to Maj. John C. Gotwals, Commissioner of the District of Columbia.

I also wish incorporated in the record a letter addressed to me, dated December 7, 1932, written by Elizabeth V. Lowe.

(The letters referred to are as follows:)

WASHINGTON, D. C., *December 13, 1932.*

Senator ARTHUR CAPPER,
Chairman Senate Committee on District Affairs,
Capitol, Washington, D. C.

DEAR SENATOR: Owing to absence from the city previously and illness more recently, I have been unable to attend the hearings on apartment rents, for which privilege I spoke to you at the Mayflower on June 14, and consequently all I know about who has presented what information is what I have read in the newspapers. From the clippings I have, it does not appear that any owner of an apartment house equity (and I take it equities are all that about 3,500 of the about 3,500 apartment-house owners own) has appeared before your subcommittee.

At present I am confined to my house, recovering from the prevailing flu, and consequently I write this letter.

I own the equity in the Woodbine, a 16-apartments house of brick and concrete construction at the corner of Cathedral Avenue and Twenty-seventh Street NW., which was erected in 1921 and sold in 1926 to former Congressman Winter—now attorney general of Puerto Rico, I believe—for $120,000, less a first trust of $55,000 and a second of $40,000. The rentals for the 16 apartments that year were represented to me last year, when I became the equity owner, to have been $17,900. Last year the total receipts from rents were $6,337.61, and the expenditures were $8,384.28. This year the receipts to date are $6,619.02, and expenditures have been $9,615.14, with only two December rents unpaid, but bills payable far in excess of these two bills receivable.

I am confident that an investigation of the actual apartment-house owners' receipts and expenditures will reveal that apartment houses are not only not

paying any net return whatsoever above depreciation to the real owner of the equity, but, as in my case, cost the owner of the equity several thousand dollars per year as a result of the fact that Washington is at least 25 per cent overcapicitated, and prevailing rents do not, in many instances, really cover operation and maintenance costs.

If every apartment were rented in the Woodbine and the tenants paid the contracted rent, the net this year would not even be the depreciation the income tax unit compels written off as depreciation, with no return whatsoever for capital invested in the equity.

There is not a single large item of expense of apartment-house operation that has materially decreased recently. The District real-estate property tax on the Woodbine is $1,465.32 on an assessed valuation of $86,191; and to those taxes which have taken, both this and last year, one-fifth of the total gross receipts, have been added additional taxes this year by Congress such as license tax to continue to operate as an apartment house of $5 on September 1 and $15 on November 1 and certain new taxes on electricity, checks, and the like, all of which increase the cost of operating an apartment house.

Evidence has been presented by Mr. Brinkman with reference to an agreement or conspiracy on the part of some real-estate agents, or some rent collectors or some agents of some money lenders to "black list" renters who break their rent contracts, don't pay their rents and the like. There may be an understanding or attitude on the part of some apartment house agents with reference to renters and rentals, but I have never heard of anything of the kind, and I am confident an investigation into the actual rents paid by apartment house tenants will reveal that rents for similar apartments in the same apartment house vary not only in the amount of free rent given as a concession, but also as to the cash rent paid for identical accommodations, the competition to fill up large vacancies being little short of ruinous to the equity owners, agents of mortgagees having by the terms of the trust "full managerial control."

I find tenants as well as prospective tenants making a drive for lower rentals and greater concessions that approximates little short of a concert of action on their part. Likewise on the part of those upon whom the apartment house owner has to depend for supplies and services to operate his apartment house I find a uniformity and rigid fixedness of prices indicative of monopoly conditions or concert of action, and no disposition to reduce the price of any thing the apartment house owner has to buy.

Both this year and last year I have had to buy for instance over 100 tons of coal for the Woodbine. Although there are over 100 coal dealers in Washington and I have sought quotations, each dealer quotes the same identical price of $7.50 per ton for coal, that I am informed sells "to the trade" at the mines, less than 200 miles away, at $1.31 per ton for domestic consumption and $1.21 for export. Of course railroad rates have not been reduced commensurately with the decline in the price of coal, steel rails, ties, and other items that make up the real cost of producing railroad services.

The price of gas, electricity, water, and the like, which enter into the cost of maintaining an apartment-house service, have not declined, and are absolutely noncompetitive and maintained so as to more than earn a reasonable return upon a fair valuation, it seems to me, if efficiently managed. The price of oil and other raw ingredients that enter into the cost of producing gas, electricity, and other utility services indispensable to every apartment house have gone down the price toboggan, but not the price of gas or electricity.

Plumbing, painting, and paper hanging prices seem rigid and fixed, and the demand is insistent that there be no reduction in wages or the price of anything else the apartment house owner has to buy to operate his apartment house, while the necessaries of life, such as food and clothing, are off over 20 per cent.

As I stated, the Woodbine was erected in 1921. The fire regulations of 1907 required red-light receptacles on every floor at every fire-escape exit. Although there has been a monthly inspection every month since 1921, not until I bought the Woodbine was this particular requirement enforced. I wrote the fire marshal when he enforced the regulation of 1907 that I would comply, and complained that it seemed to me there had been inexcusable and incompetent inspections monthly between 1921 and 1931, to say nothing of the original construction inspections, and an exposure of the Woodbine occupants, men, women, and children, from 1921 to 1931 to an unlawful fire hazard, and that my grievance was that incompetence on the part of his inspectors had not only so exposed life and property to unnecessary fire hazards but had cost me money and made me pay for something I felt I had a right to assume had already been paid for.

I even took the matter up with one of the commissioners, who informed me that fire marshal reported the inspector answered that the red light receptacles must have been removed—an allegation the concrete floor structure, tenants, the janitor, and the electrician challenge, to say nothing of the fact that the same inspector told Mr. Maddox Trenholm, who lives in the Woodbine, that he did not know how he had all this time overlooked the absence of the red light fire escape exit receptacles on the third and fourth floors.

Likewise I have just been ordered to make certain plumbing changes as a direct result of improper plumbing done in 1928 by a contractor and registered plumber, who although it was done in connection with the installation of a refrigeration system, ran water pipes and did electric wiring, which new plumbing and wiring required a permit. From these arbitrary and I think unreasonable orders the new license law of July 1, 1932, gives no right of review, a license to continue to operate an apartment house being pyramided on the "written certification" of the chief inspector of plumbing, among others, who in the case of the Woodbine ordered the most expensive of several ways of complying with the plumbing regulations, or rather correcting improper plumbing done in 1928 by a contractor whom the chief inspector of plumbing now refuses to investigate or cooperate in prosecuting. Such an attitude seems to me intolerable. It unduly increases rents. I have appealed to one of the commissioners in a letter, carbon copy of which I transmit herewith. And may I also call to your attention the fact that in order to secure a license to operate under the new license law of this year that the owner of an apartment house is now required to "certify" that he has complied with the plumbing law and regulations, although the law expressly requires the "written certification" of the chief inspector of plumbing, and the plumbing regulations forbid any person but a registered plumber doing any plumbing, even I am told, rewashering a faucet!

May I say just this additional word, without intending to reflect on Government employees as a class, for I have several Government employees as tenants who keep their contracts and pay the agreed rents, that the only tenants this or last year who have broken their leases and left without paying rent due have been on the Government pay roll; and one and the only one of my present lessees who sublets and at an advance of nearly 50 per cent is a Government employee. I append a 1932 statement of receipts and expenditures for the Woodbine, showing an excess of expenditures over receipts for 1932 of $2,996.12.

Very truly yours,

J. H. PATTEN.

1932 Woodbine Statement

Expenditures:	
Real-estate taxes	$1,464.32
License taxes, Sept. 1, $5; Nov. 1, $15	20.00
Water rent	111.30
Potomac Electric Power Co., electricity	322.36
Janitor	400.00
Coal	839.18
Other supplies	640.45
Painters, paper hangers, floor finishers, et al., for labor	563.05
Drayage for ashes and trash hauling	50.00
Telephone	58.48
Fire insurance	162.50
Workingman's insurance	28.00
General liability insurance	28.00
Plumber	146.50
Electrician	61.00
Interest on $55,000 trust	3,120.60
Quarterly installments on trust (this is less than Income Tax Unit depreciation requirement)	1,600.00
	9,615.14
Receipts	6,619.02
Approximate excess of expenditures for year 1932	2,996.12

WASHINGTON, D. C., *November 26, 1932.*

Maj. JOHN C. GOTWALS,
Commissioner, District of Columbia,
District Building, Washington, D. C.

DEAR MR. COMMISSIONER: Upon my return to Washington the first week in October there was at my office an order in letter form signed by A. R. McGonegal, inspector of plumbing, District of Columbia, that in order to get a license to (continue to) operate premises 2839 Twenty-seventh Street, NW, as an apartment house, I must have a registered plumber provide a directly connected water supply for water-closet in laundry room; provide a sewer connected and ventilated trap for reception of waste water from refrigeration unit that is now discharging into a water-closet; and put a temperature and relief valve on the hot water storage tank, and that my license application would be held up at least until I did so.

I forthwith, under date of October 7, 1932, wrote him at length with reference to this order, but he did not acknowledge my complaint. On October 14, 1932, I wrote him again and registered my letter with return card receipt request. Eight days later, i. e., under date of October 22, he wrote me that he would not cooperate in prosecuting the improper dismantling of the water-closet and the improper emptying therein of a waste pipe from the refrigeration unit, installed by Frigidaire Sales Corporation, in June, 1928, under contract for the then owner, former Congressman Winter. In his letter Mr. McGonegal refused to cooperate in any way in ascertaining or prosecuting the contractor, the registered plumber, or any one except the actual helper or laborer who, in person with his own hands, ran that pipe, and tried to convert that water-closet improperly into a slop sink.

On October 24 I again wrote Mr. McGonegal, asking again if there were no alternative to his order as to remantling the water-closet; and he received my letter promptly, but did not answer it until after over three weeks elapsed, when, on November 16, I wrote him another letter and registered it with return request, asking him again if there were no alternative and if I could not seal the dismantled water-closet, and so forth.

Under date of November 19 I found at my office on November 22 a 2½-page letter from him in which he falsely accused me of making a libelous statement in my unanswered letter of October 24, thus admitting that he had received that letter and neglected to even acknowledge its receipt. In this 2½-page letter of his of November 19 he writes that his complaint section is undermanned and that he will urge its abolition, which I trust will not be done, and yet he writes me two and a half pages offensively digressing about my probably violating the law of libel, about the probability that my practice has not included the lower courts, falsely accusing me of asking him questions to which I as attorney know the answers, and indulging in other unasked and uncalled for personalities, having nothing at all to do with plumbing or sanitation.

In this letter he does not answer my simple inquiry whether I absolutely have to remantle the dismantled water-closet or whether I can seal it, a much less expensive operation. He admits his inspection did not determine whether there was the required janitor's water-closet. If he had had the premises properly inspected, as it would seem he should have, in order to make the certification required by the license law of this year and made his duty therein, he would have had this information and could have said yes or no to my inquiry, and thus completely modified his mandatory original order to remantle the dismantled water-closet I wanted to seal, and thus avoid what seemed to me unnecessary expense, and run the refrigeration waste water pipe to one of the wash tubs, or instead install a square porcelain bowl where it was, and thereby comply with the law and regulations.

His letter admits he does not know and that he has not had his inspector in the inspection, on which he is to certify in writing plumbing compliance with existing laws and regulations, ascertan whether there was at the time of the inspection the required water-closet for the use of the janitor, for he writes me in answer to my question, asking if I can seal the dismantled water-closet, that I can if there is another water-closet (?) available to the janitor and then he discourteously asserts its existence or non existence is a plumbing fact I should know. I respectfully submit the inspector of plumbing should have known that plumbing fact and should have had it and all other plumbing facts ascertained before he ordered what plumbing things I must do and what plumbing changes I must make to make the said premises conform to plumbing regulations. I submit that his letters to me show the imperative

need of making the division of plumbing far more efficient, as well as far more courteous, than its inspector of plumbing has shown it and himself to me.

In his letter of November 19 he asserts, falsely, if not also insolently, at least by imputation, that in his letter of October 22 he answered practically all the matter in your (my) letter of October 24, and either contradicts himself or seeks to excuse his own neglect by writing that: "As an attorney you (I) know the answers your (my) self" to the plumbing regulations questions I have asked him!

His original order substantially told me that unless I put a seat on the porcelain bowl, provided a direct water supply, attached a flush tank, and removed the refrigeration waste exhaust water pipe therefrom, and discharged it into a sewer connected and ventilated trap for reception of waste water, I could not secure a license to continue to operate the Woodbine as an apartment house. I have been trying unsuccessfully for a long time to have him tell me positively that I can seal that dismantled water-closet, which is now more of a slop sink than any other plumbing thing in the law and regulations, or would be if its porcelain base were of a little different shape and there was a faucet instead of cap on the water pipe above it. I think I ought to be allowed so to do under existing law and regulations. He says he does not know, and refused to give me a definite and unconditional answer.

There is another question I have asked him and that is if it would not be possible to supplant the present completely dismantled water-closet bowl in the laundry room into which the refrigeration waste water empties, with a slop sink bowl, and attach a faucet to the capped water supply pipe above it, thus leaving the refrigeration waste water pipe as is, which can scarcely more be used as a urinal or water-closet than a regular slop sink bowl; and thus not disturb the present refrigeration exhaust water pipe.

Now, I submit that I, as the owner of an apartment house, on which I pay $1,465 taxes annually (on gross receipts last year of less than $7,500, and this year still less), ought not be forced by the division of plumbing to do the most or even the more costly and expensive thing to make plumbing compliance, and that he ought to have had his inspectors investigate, at least, all the plumbing involved and interdependent upon the ordered changes he ordered, before he issued his order. I can not escape the conviction that his order on me as to these premises was based on inadequate, incomplete, and superficial investigation, for the purpose of determining what was necessary to make my plumbing conform to law and regulations for he admits in his letter he does not know whether there is at present the required functioning water-closet for the use of the janitor.

I do wish you could view the premises, which, no doubt, you often pass at Twenty-seventh Street if you drive down Cathedral Avenue to Connecticut Avenue. In a very few minutes you could visualize the inadequacy of the inspection and realize I believe the imperative need of doing something about the way the division of plumbing carried on in this particular instance.

The attitude of the chief electrical inspector, Mr. Kern, is quite different in his prompt reply to my letter of October 14, in which I called his attention to the same facts, i. e., that Frigidaire Sales Corporation, 1401 Fourteenth Street, NW, installed the refrigeration unit in June, 1928, ran water pipes and electrical wires without the required permits to run such pipe and wires, and ran them improperly, for he wrote he was directing an investigation and would take the matter up with the division of plumbing, which he did, I am informed, only to be discouraged from doing any thing of the kind by Mr. McGonegal. You can easily verify this from Mr. Kern.

As I wrote Mr. McGonegal, Frigidaire Sales Corporation employees admitted the installation, and I saw their file cards kept in regular course of business to that effect, in their place of business at 1401 Fourteenth Street NW. There is also their contract with Mr. King for Mr. Winter, the then owner.

I submit that I had a right to assume when I traded for the apartment house last year I paid for properly installed plumbing. The fact that it was improperly installed is costing me money, and it does seem to me that the least the inspector of plumbing could do would be to cooperate in trying to get evidence that would result in the successful prosecution of those who installed the improper plumbing, not for violating the license law of this year, but the plumbing laws and regulations in effect in June, 1928, in order to try to deter future violations of the plumbing laws and regulations, and thus protect life and property. Any layman, and much more a judge or jury, would be convinced by viewing the dismantled water-closet and the refrigera-

tion waste water pipe discharging therein that it was done by the contractor, Frigidaire Sales Corporation, or its agent, if there were no other evidence, but there is other evidence, and proper investigation would disclose such and still other evidence, I feel confident.

The electrical inspector, Mr. Kern, wrote me, as I have said, he would have the violation investigated and would call the matter to the attention of the division of plumbing and seek its cooperation. Mr. McGonegal's attitude seems to be that I must ferret out the laborer or helper who actually with his own hands dismantled the water-closet and improperly ran with his own hands the waste-water pipe thereto. Let me repeat what I wrote him, and that he characterizes erroneously as libelous, that if a contractor can do such things and a licensed plumber can do such things and Mr. McGonegal will only prosecute or can only prosecute the helper or laborer who actually himself in person does the improper plumbing then unlimited opportunity for rackets is afforded. Such a situation and such an attitude seem to me intolerable. His official attitude in this strikes me as monstrous. His interpretation of agency and procurement is equally extraordinary. But whether they are or are not, the plumbing law, the plumbing regulations, and the administration thereof at present by the division of plumbing certainly in this instance do not seem to me to be what they should be. Such an attitude and such letters would ruin in quick time any competitive private business dependent upon public patronage.

I hear and have heard year after year a lot of talk about what goes on, and I can not help entertaining the conviction a little moral and administration sanitation ought to be applied to the division of plumbing, and particularly to its chief inspector. For instance, about five years ago, I contracted to have the front of a store I own on Eighteenth Street NW., between K and L Streets, remodeled. The contractor I know obtained a building permit. He told me it was not necessary to drain the tin roof over the window directly into the sewer, or that he could get away with not doing it. Before I paid him, I called at the office of division of plumbing and was told I could pay the contractor if the remodeling had passed inspection under the permit. Within a year I was told the reverse, and had to pay again for something I felt I had paid for, being compelled by the division of plumbing to hire a registered plumber and connect the small tin covering over the store window directly with the sewer. I do think such ought not to happen. There ought to be more cooperation by and between these divisions of plumbing, electricity, fire, and building, and by and between their corps of inspectors.

I appeal to you and through you to the other commissioners, because the new license law does not provide, as I feel a court would rule it should, any review of these certifications of the division of plumbing, electricity, and fire. I submit that from an administrative standpoint these inspections, resulting in ordered plumbing, which otherwise could be taken into court, upon which certification is made a condition precedent to granting a license to continue to use property such as an apartment house, should be all the more thorough, careful and competent. Take the specific statement of facts I am complaining about. Mr. McGonegal definitely and specifically orders me to remantle the watercloset in the laundry room at 2839 Twenty-seventh Street NW. Suppose I seal it instead.

Certainly but for the license law of this year he would have to go into court to finally determine the correctness of his conclusion, and rightfully and constitutionally so. Can I be deprived of that right of review by the pyramiding of certifications in and by this new license law? I can not believe legislation can clothe any official with any such police power, infallibility, and autocracy when person or property is involved as here. There must be somewhere and somehow a right of review and an appeal from any such indefensible, unreasonable attitude as it seems to me the inspector of plumbing shows toward me and my property in this instance. His admission in his letter to me shows that the inspection for license permit operation purposes was superficial and ought not to warrant his certifying in writing plumbing compliance, for he admits he does not know whether there is the required janitor's water-closet, for instance. His statement in his letter to me that the dismantled water-closet was probably accidentally dismantled is ridiculous and without foundation in any fact known to him, and anyone else viewing it, I am sure, will characterize his suggestion more of a pipe dream than a statement of fact. Such evasive, speculative answers on his part seem to me to reflect on his competency.

In the next place, may I observe that, regardless of whether the buyer or owner of property has any right to assume inspection laws have been enforced

and that chief inspectors charged with their special enforcement will cooperate in enforcement, as well as administration, the head of a division like Mr. McGonegal ought to be temperamentally less discourteous, less officious, and more patient with some of us who not only help pay his salary but are occasionally victims of incompetence, graft, and even rackets.

I regret to intrude this complaint on you personally, but apparently at the present I have no other alternative. I believe there is at present general complaint against the attitude of the division of plumbing among apartment-house owners, most of whose property could not be sold for their first trusts, and all this in a time when apartment-house operators are practically all faced with higher percentages of vacancies, more rent defaults, demands for decreased rentals, and increased concessions, no real decline in taxes or the price of coal or the electricity rate, and when they are faced with orders to replace improperly installed plumbing, to pay a license tax to operate, and the like.

Very sincerely yours,

J. H. PATTEN.

WASHINGTON, D. C., *December 7, 1932.*

The Hon. ARTHUR CAPPER,
United States Senate, Washington, D. C.

DEAR SENATOR CAPPER: In compliance with the suggestion made by the secretary of your office, I herewith submit a statement in regard to the rental situation as it affects the undersigned I had desired to make this statement in person, but realizing the pressure on your rental-investigation committee, I take this means to make the facts known.

Name: Elizabeth V. Lowe.
Present address: 1721 Q Street NW.
Profession: Registered nurse.
Present occupation: Secretary-nurse to a general surgeon.

STATEMENT

On February 23 I signed a lease with Boss & Phelps, realtors of Washington, D. C., for apartment 501, at 1800 K Street NW., Washington, D. C., for a period of six months beginning March 15, at a total rental of $495, payable monthly in advance at the rate of $82.50 a month.

I was allowed to occupy the premises from February 24 to March 15 without charge. On May 5, due to the fact that others who shared the cost with me were deprived of their incomes, I approached the agents with the request to be permitted to move to a suitable, cheaper apartment in the same house. This was not available, and I was denied permission to move out of the building. This, despite the fact that I was no longer able to pay the rent.

However, on May 16 I moved my possessions to a cheaper apartment, thereby, according to the rental laws of the District of Columbia, breaking my lease, leaving myself obligated, according to the law, to pay the sum of $330 for the four remaining months of the lease.

After some correspondence with the rental agency, a summons was served upon me on May 27. I was forced to ignore the summons, because (1) the cost of legal help and, (2) there was no doubt in the minds of anyone of my acquaintances, but that judgment is always rendered in such cases.

Attention is invited to the facts: That judgment was granted on June 7, 1932, for the entire remaining amount of the lease, although on that date only one of the monthly payments of $82.50 had been passed; and that information has come to me that the apartment in question was occupied by a new tenant during the last month of the period for which I am expected to pay.

I am now threatened with confiscation of my personal effects and attachment of salary, both of which I can not possibly afford, as it would practically make me destitute.

It is respectfully requested that the above statement (to which I can and would make a proper affidavit) be inserted in the record of your investigators. The action of Boss & Phelps is so flagrantly unjust, and places a severe penalty upon a law-abiding citizen, who also took the only reasonable steps available to avoid contracting a bill that possibly could not be paid.

Respectfully yours,

ELIZABETH V. LOWE.

Senator COPELAND. Mr. Bowie, the other day I was quite struck by a thing you said about valuation. If I remember correctly you said that in normal times a property would be worth six or seven times its gross rental. Is that right?

Mr. BOWIE. We used to sell them on that basis, Senator.

Senator COPELAND. But now the conditions are such that probably a property is hardly worth more than four times its gross?

Mr. BOWIE. If you could sell them, Senator, between four and five times, that would be as much as you could realize for them.

Senator COPELAND. Now, everybody thinks about what you said, and I want to turn these figures around. Suppose the gross rental of a property amounted to $100,000. In normal times the sale value of that property would be $600,000 or $700,000.

Mr. BOWIE. Yes, sir.

Senator COPELAND. Well, now, that would mean, then, that the gross return of such a property would be 15 per cent?

Mr. BOWIE. Yes, sir.

Senator COPELAND. We are agreed, then, as to the figures?

Mr. BOWIE. Yes, sir.

Senator COPELAND. Now, do you consider it necessary to have a return of 15 per cent on property, gross return?

Mr. BOWIE. It will take that, Senator, in order to provide an adequate return.

Mr. Richards was not far wrong when he stated that it took, assuming that the building was completely filled, or nearly so, 50 per cent of the gross revenue to run the building and pay the taxes, so that if you get 15 per cent gross, and applied that rule of thumb, you would have 7½ net return to the owner—that is, eliminating any mortgages. By the time that you allowed for your vacancies and loss of rent, through failure to collect, it will bring you down to about a 6 per cent return under most favorable conditions, although Mr. Richards said over his experience that he regarded an owner would be lucky if he got more than five per cent.

Senator COPELAND. I was quite surprised at your figures when I came to analyze them in my head, because I had not been in the landlord business to mention, for a good many years. But in the old days when I did own some properties, we thought if we had a gross return of 10 per cent, that that was pretty good.

Mr. BOWIE. There are certain pieces of property, Senator, that a gross return of 10 per cent would be perfectly all right. You take warehouse property, business property, property of that kind, you can safely purchase where the tenant is burdened with the maintenance of the property with the exception of the roof, and where the landlord only pays the taxes, he has no heat to furnish, he has no repairs to make, he can afford it, and it will be profitable to him. As an illustration, about three or four years ago I sold the Atlantic & Pacific warehouse, occupied by the Atlantic & Pacific Co., to Senator Burton, of Illinois, for $300,000. That rented for $28,800 a year. That was a very good investment for him.

Senator COPELAND. You mean Senator Burton, of Ohio, do you not?

Mr. BOWIE. Yes.

His estate wants to sell that since the death, but I can not find anybody that has got enough money, that is willing to put it into

that property in these unusual times, and, of course, they will change. If they do not change, the property owners are going to be in a terrible predicament.

Senator COPELAND. Mr. Brinkman, do you agree with Mr. Bowie that a 15 per cent gross return on an apartment house property is about right, or not too much?

Mr. BRINKMAN. No; I do not think it is necessary to have that return. The fact is when they get that return they make very large profits.

There is this to be considered about apartment house property: Those apartment house properties are like any other business. Some of them are well located, and are apartments which people want. You might have one valued on that basis that would not pay simply because it was not what people wanted.

You can not speak in generalities, as a rule, but the fact is these properties were sold generally for several years on a 15 per cent basis; that is, they were sold at seven times the gross rent, and the people who bought them put in only a small amount of money. They put on very large mortgages, with a small equity, expecting on that basis to pay for the property out of the profits, and now they are in trouble because they can not fill those apartments at those high rents.

Senator COPELAND. I wanted to ask these questions, Mr. Chairman, because as I thought them over it seemed to me that a 15 per cent gross rent was too much. Mr. Bowie brings out factors which I had not considered. He brings out the question of heating, for instance. Any property with which I was familiar, the element of heating did not enter into it, but it seems to me all the other factors were involved. There would be the taxes and insurance. Then there is the item of janitor service.

Mr. WHITEFORD. What occurred to me, too, is the fact that in an apartment building you have elevators. Elevators are awfully expensive institutions. They get out of date, they wear out. They need a lot of repairs.

In the last few years we have had a change in the building regulations to make them safer. It meant thousands of thousands of dollars to property owners to put fixtures in, catches, safety doors, and automatic devices on the doors—all of which cost an awful amount of money. Take fixtures: We have had quite a vogue in the last two or three years of black in bathrooms, tubs, and basins, multicolored tile. All those are sort of catch features that attract people. The old porcelain-lined bath was just as good. You could take just as good a bath in it, but the folks go to these newer things. You get obsolescence in fixtures in apartment houses that they do not get in business properties, and this depreciation and obsolescence element is so great that you must take that into consideration.

Take a property like the Highlands and Dresden, Florence Court and the Westmoreland—all stand right up there on the hill off Connecticut Avenue. Those are fine buildings, but those apartments are old. The people want to get into the newer ones, that are very much more cheaply constructed in a lot of ways, but they are flashy and attractive. They have Frigidaires in them and other new devices. They have an attractiveness to them that brings tenants there, and the result is that the older apartments lose their tenants,

and they are losing out. They have got to spruce up and have got to remodel on the inside, which costs a lot of money.

That is where that apparent 15 per cent comes in.

Let me point out this, and here is something that I have argued in real-estate deals. A client of mine was considering purchasing a very large apartment, very successful, and where the rents are of a character that you gentlemen would not be interested in. One of the things he considered, in that he turned down making the deal, was the fact that in his opinion was the fact that the next move in the next large apartment group is going to be air conditioned. Just as Frigidaire revolutionized apartments, this air-conditioning feature is something that is going to come.

It is in the new Geographic Building, and it will be in apartments.

What will that do to the fellow who has a fine building like the Westchester and Alban Towers? They can not put them in except in a very haphazard way. They can not build them in because there are concrete floors, and you can not drill through them and put air conditioners in.

If that ever comes, and it will come, there is not any question, it will cost hundreds of thousands of dollars; that is, it will knock off hundreds of thousands of dollars from the values of the finer apartments that are now in existence, because they can not meet it, and certainly an investor, an owner, is entitled to have those margins that will protect him against that.

Senator COPELAND. I want to ask one more question before I go: Assuming that Mr. Bowie is right, that the real value, sales value of a property, is six or seven times its gross income, how does that price compare with the assessed value, in general?

Mr. BOWIE. Mr. Richards stated, Senator—I do not know that you were here—that he based his assessments formerly on seven times the gross rentals, but since this depression has struck us, and he acknowledged it has and prices have gone down, he has altered and is altering his method of assessing to from either six or six and a half; I have forgotten just now what he has said; he has made that change. Senator, when I say that they sold for six or seven times the gross rents, I mean that we used to sell them for that; in many cases there was other property taken in in consideration. In other words, if you had a piece of property that you wanted to get rid of and if you could not sell it you might be able to work up a trade and get rid of it in that way, take on a larger or more expensive piece of property.

Now, the figures that I have given you, Senator, in reference to the maintenance costs, I might amplify by saying that I have been associated with Mr. Rust for 30 years continuously, and through a greater part of that time and to-day in every case of an apartment house we keep an annual cost sheet of maintenance, an annual sheet, showing what the owner has derived, what he has spent, and where it has gone.

We found that rather necessary, because the owner would call on us at the end of the year for a statement for income-tax purposes, so that each month he has a monthly statement going out to him, showing these various items, which information is transmitted to him in the annual statement.

Now, the figures I have given you are based upon that information.

Senator COPELAND. Now, to have it right at this point in the record, what percentage of your gross receipts would be the average of expense of operation?

Mr. BOWIE. Well, I think, Senator——

Senator KING. Would that operating expenses include taxes?

Senator COPELAND. Yes.

Senator KING. And insurance.

Mr. COPELAND. Yes; everything.

Mr. BOWIE. Everything except interest.

Senator COPELAND. Yes.

Mr. BOWIE. I think these figures tie in almost perfectly.

Mr. Richards has said that it takes 50 per cent of the gross, assuming that the building is practically filled. We show by a survey to-day that there is a general vacancy of approximately 16 per cent, or thereabouts. When you add 16 per cent of vacancies to the 50 per cent that Mr. Richards said it would cost, you get practically the same answer that Mr. Lusk has given you in his survey.

Mr. WHITEFORD. Senator Copeland, we have arranged for this meeting on Thursday night next.

Senator COPELAND. I want to come down to this meeting if I can. It depends on my father's condition. He is in bad shape. If I can, I will come down.

The CHAIRMAN. You may proceed with your statement, Mr. Brinkman.

STATEMENT OF O. H. BRINKMAN—Resumed

Mr. BRINKMAN. I would like to remark in connection with the statements about the 15 per cent not being profitable on apartment properties, that there are four firms that have found it very profitable to own property: C. A. Snow, James Tribby Sons, Bliss Properties, and the T. F. Schneider Co. Over a period of years they have bought or acquired one apartment property after another here. They continue to operate them, and they continue to invest their money in those properties, which evidences the fact that they must be profitable, otherwise they would not have continued to make those investments.

On the basis of 15 per cent gross return, and allowing 50 per cent of that for operating expenses, there is at least 7½ net return to apartment owners, which is a larger return than any other business is returning now.

Mr. BOWIE. I was talking about normal times. Please do not indicate that I had any reference to the situation that exists to-day.

Mr. BRINKMAN. I do not want to enter into a discussion of that, but just to make the statement. The fact is, however, operating expenses have come down, to some extent. Coal is cheaper. The apartment owners have reduced the wages of their employees 10 per cent or more in many cases, and there are also some other savings in supplies.

Mr. LUSK. That is a misstatement.

Mr. BRINKMAN. I think I can cover in my report points 8, 9, 11, 13, 14, 23, 24, 25, 26, 29, 31, and 32 more or less all together, and for

that purpose I have drawn up a statement that I will just read, so there can not be any question of what I say, and I will put it as briefly as possible. [Reading:]

UNLAWFUL COMBINATION

The committee's especial attention is respectfully invited to the minutes and other records of the Washington Real Estate Board, incorporated as a part of the hearings.

These records clearly show, upon even casual examination, confirmed by close study, the existence of a combination unlawful in its nature and purpose and oppressive to home buyers and tenants in the District of Columbia, as well as in suburbs adjacent to the District.

Those records of the Washington Real Estate Board can be found beginning at page 331 of the hearings of this committee, held on December 2, 1932:

The combination is one that can and should be prosecuted under existing laws, and conviction and imprisonment of the participants is necessary and vital for the protection of the public interests.

The records showing the unlawful combine will be only briefly summarized here. They show that there has been in continuous existence in recent years an effective combination of real-estate agents, apartment owners, and loan correspondents of insurance companies, the purpose and effect of which was to:

1. Use concerted effort to prevent rent reductions, or even slight concessions to tenants.

2. Agree upon and fix minimum and excessive scales of commissions for loans upon real estate, including single dwellings and apartment houses containing many residence units.

3. Agree upon and fix minimum and excessive rates of commission upon renewals of mortgages or deeds of trust.

4. Limit, restrain, and unlawfully restrict competition in the renewal or replacement of maturing loans, by forbidding solicitation by letter or otherwise of the borrower by other members of the Washington Real Estate Board.

This restraint went so far as to prohibit the distribution of any printed or written matter with reference to the making of mortgage loans to persons whose loans are about to mature.

In other words, the borrower was practically restricted to the person or agent who had made the original loan, for a renewal; and probably under the same rule of "courtesy" unwritten, but effective nevertheless—which prevented tenants moving from one building to another unless they secured "releases," this loan-business restriction put the borrowers at the mercy of the lenders. And these lenders had banded together to prevent the enactment of any legislation that would prevent quick foreclosures in the event the borrowers could not or would not meet unreasonable and unjust demands for curtails of loans, increased interest rates, and so forth.

The evidence has shown that there were demands for curtails, and that there were demands for increased rates.

The Saul Co., for instance, in the spring of this year, increased the interest rate on loans from 6 to 6½ per cent, and obligated many borrowers who had to renew home loans to pay the higher rate of interest, as well as to curtail their loans. In many cases people were unable to do that and lost their equities in their homes.

I will bring that out later.

5. Limited the advertising of members of the board so that they practically could not offer to renew loans without commissions or at lower rates than the minimum established by the board, or for no commisison at all.

6. Restrained and restricted the giving of free rent as inducement to tenants to sign leases.

7. Held meeting of agents at which it was agreed that rent reductions and repairs of apartments were not "advisable."

8. Establishment by unpublished or unwritten rule of a "blacklist" of tenants who had leases with other members of the combination who were unwilling to release them so that they might move, even in cases of dire necessity.

9. Continued effort to restrict apartment properties to the control of one agent only, so that there would be no competition between agents who were members of the board in renting apartments in the same building.

10. Agreement and fixing of a "standard" minimum commission of 5 per cent for the collection of rentals and the management of apartment properties, thus limiting and preventing the benefit of competition for management business, which previously had been handled for 3 per cent in many cases.

11. Concerted effort by the Washington Real Estate Board through a governing committee, to influence judges of the municipal court not to extend leniency in eviction cases to tenants who were about to be moved out into the street, without shelter.

12. Attempt to influence newspapers of Washington not to print real-estate advertisements, containing such statements as "no agents or brokers need apply."

The effect of this combination and the agreements in restraint of trade and commerce—which were unquestionably violative of the Federal anti-trust law—was to impose additional and excessive burdens upon tenants and property owners, and to put both classes at the mercy of a small group of real-estate agents and loan correspondents of insurance companies. This group was interested in increasing their profits, regardless of detriment to the public and hardship imposed upon thousands of people.

The members of this unlawful combination were closely associated with the financial institutions of the city and have almost a strangle hold upon the aavilable funds for real-estate financing in the Nation's Capital. The Washington Real Estate Board worked in cooperation with the Operative Builders Association, the District Bankers Association, the Building Owners and Managers Association, and other similar groups in a tie-up so complete that for any member to disregard or violate the rules and restrictions limiting competition might easily result in financial ruin for such individual.

The real-estate interests, working in combination, sought to influence in one way or another the courts, the press, and the legislative branch of the Government of the United States.

And that statement is substantiated by the records of the Real Estate Board itself. [Reading:]

Reference has been made elsewhere in the report to the likelihood of other agreements, fixing rents or otherwise restraining competition. There is substantial basis for such opinion, as shown elsewhere.

The effect upon landlords and tenants of the unlawful combination was to increase expenses. Not only were the owners of apartment houses burdened with excessive financing charges by way of minimum loan commissions and unwarranted renewal charges, but instead of being able to secure the services of a rental agent for 3 per cent of the gross rent, as in the past, they were obliged by concerted action and price-fixing activities of board members to pay 5 per cent commission—an additional expense which was bound to have an influence in curtailing rent reduction.

The CHAIRMAN. Where does that evidence come out?

Mr. BRINKMAN. That is in the record of the hearings. It is contained in the minutes of the Washington Real Estate Board already printed in the record. [Reading:]

Furthermore, by the concerted action of the agents, the owners were restricted in efforts to fill up their buildings by offering inducements of free rents for periods of a month or more in order to secure leases. Owners were also hampered in competing for tenants, by their agents who were members of the Washington Real Estate Board. The evidence shows that the agents refused to accept tenants for the buildings which they managed or controlled, as a "courtesy" to other agents who were members of the board—when prospective tenants could not secure releases from the agents of the places where they were living.

This, of course, was injurious not only to tenants but to apartment-house owners.

The minutes of the meeting of the property management committee held in the offices of the Washington Real Estate Board on January 8, 1931, are of particular interest on the question of control of rents.

They show the presence of four of the leading spirits in the organization, who planned a luncheon conference of a large group of rental agents for the next day.

The minutes state:

"After some discussion it was decided that Mr. J. F. M. Bowie [of the Rust Co.] would act as discussion leader at the conference, making a brief statement about apartment-house rentals at the present time and to call on four or five other members to ask them to comment on the condition of the rental situation in their office.

"It was believed by the committee that this discussion would bring forth the fact that vacancies in apartments had been materially reduced and that the situation was very satisfactory."

Accordingly the next day a much larger group of rental agents met in luncheon conference—that is, a group of men controlling a great number of apartments throughout the city.

Mr. J. F. M. Bowie, of the Rust Co., then made the prearranged talk and called upon five other men who controlled a very large group of apartment properties.

The minutes continue:

"The substance of the reports given by these men was that the vacancy situation in apartments had reduced materially and that conditions to-day were such as to make it unnecessary to resort to free rent, unusual repairs, and other practices in order to secure tenants. The concensus of opinion of the members present was that the rental situation was well in hand and that the level of rent was stabilized and that there was little indication that further reduction in rent would be required."

This is as plain an indication as might be expected in minutes of an organization acting under guidance of experienced business men and shrewd legal counsel, that a practical agreement had been reached not to reduce rents and not to offer tenants inducements in the way of free rent or considerable repairs in order to fill vacancies.

Here was a meeting of ostensible competitors, called to consider rents, and the result was agreement among them that rent scales should be maintained.

This is only one instance of several of concerted action against the interests of tenants.

I would like to add to the record a special notice taken from the records of the Washington Real Estate Board and produced before this committee by Mr. Charles J. Rush, the secretary of the board, dated August 6, 1931, reading:

AUGUST 6, 1931.

SPECIAL NOTICE

FREE RENT

It occurred to me as the rental season approaches that it might be well for our members to remind resident managers and others in their rental departments of the position of the Real Estate Board in respect to the giving of a month's free rent.

No free rent or rebates of rent should be given any tenant unless the same is incorporated in the lease which the tenant signs.

Aside from the fact that this is a board rule the giving of free rent in actual practice is unnecessary and a poor business policy. Usually such practice doesn't stop at the initial contact with the tenant but invariably is expected by the tenant upon the renewal of each annual lease.

It is hoped that the members of the board will do all in their power to prevent this sort of practice.

Respectfully,

RUSSELL B. KING,
Chairman Property Management Committee.

In other words, they were doing their best to maintain the level of rents and prevent the reduction by the giving of any inducement in the way of lower rent.

I would also like to again call the committee's attention to the fact that in examining the records of the Washington Real Estate Board as furnished by its secretary, we found no minutes of the mortgage and finance division or committee from February 20, 1930, to January 23, 1931, nor from May 5, 1931, to March 18, 1932, although we found minutes prior to and subsequent to those periods.

The CHAIRMAN. Were there minutes for those periods?

Mr. BRINKMAN. I will enter upon a discussion of that. I find here in the records furnished by Mr. Rush, as secretary of the Real Estate Board, a letter dated December 9, 1929, signed by William L. King, chairman, mortgage and finance division, R, which I will read into the record:

WASHINGTON REAL ESTATE BOARD,
Washington, D. C., December 9, 1929.

NOTICE OF MEETING, MORTGAGE AND FINANCE DIVISION, NEW AMBASSADOR HOTEL, PARLOR A, MEZZANINE FLOOR, THURSDAY, DECEMBER 12, 1929, 2 O'CLOCK

Subject: Consideration will be given the suggestions made at the November meeting of the board concerning certain types of advertising of individual members and certain details in connection with the handling of mortgage-loan applications, both of which suggestions were referred by the meeting to the mortgage and finance division.

General: Some tentative thoughts for the year's activity will be presented and members will be asked to express their views on the work of the division.

The attendance of proprietors of mortgage loan offices and all other active members is urged in the interest of accomplishing wise and helpful consideration of mortgage problems.

Respectfully,

WM. L. KING,
Chairman Mortgage and Finance Division.

This letter was written approximately two months and a half before the beginning of the first period for which we find no record.

This letter indicates that they were planning a year's work, yet we find practically no minutes—that is, after February 20, 1930, we find no minutes until January 23, 1931—although a meeting had been called before the beginning of 1930 to plan that year's work.

Two days later, December 11, 1929, we find in the records furnished by Mr. Rush, secretary of the Washington Real Estate Board, this notice, signed also by Mr. W. L. King, who appears to have been connected with Boss & Phelps, a leading real-estate firm here.

Mr. RUSH. And still is.

Mr. BRINKMAN (reading):

(On letterhead of Boss & Phelps, real estate, loans, insurance, 1417 K Street NW., Washington, D. C.)

DECEMBER 11, 1929.

To the active members:

FELLOW REALTORS: In assuming the chairmanship of the mortgage and finance division I not only deeply appreciate the honor but seriously realize the obligations of this office if the division is to function.

With this thought in mind may I point out that every member has an individual responsibility to help in formulating and shaping the policies and activities of the division. We all individually have a solemn duty as members to sympathetically cooperate in developing those things which are best for the business as a whole and which will protect the prestige of the board and insure its effectiveness.

It is the desire of our president and executive committee to have this division function definitely in respect to every problem presented. To this end meetings will be held periodically and recommendations of the division on all matters considered will be promptly presented to the executive committee.

Soliciting your personal cooperation and active help in committee work, I am,

Cordially,

W. L. KING.

N. B.—Meeting Thursday, December 12, at 2 p. m., Ambassador Hotel.

That letter shows that it was the intention to hold meetings regularly throughout 1930, but we find no record of meetings after February 20 of that year, until January 23 of the next year. There is also a period from May 5, 1931, to March, 1932, for which we have not been furnished the minutes.

Mr. RUSH. I resent that, Mr. Chairman. He has been furnished with all the minutes in the office. The Real Estate Board is not trying to conceal anything. My God, do you think we would tear out the records!

Mr. Brinkman insinuated we did not have all the records, that we possibly had rewritten them. Are we fools?

Mr. WHITEFORD. He has got to do that to make a good story.

Mr. RUSH. I resent that implication. He is now attempting to let the world at large think the Washington Real Estate Board would stoop to such things of that description. It is not in keeping with the ethics of our association in Washington, no matter what Mr. Brinkman's opinion of the ethics of the Washington Real Estate Board appears to be.

The CHAIRMAN. It seems rather strange to me that there should be no records for that period.

Mr. BRINKMAN. For two years.

Mr. RUSH. No meetings were held, different type on the typewriter, the signatures of the secretary at the time, but Mr. Brinkman is trying to make his job out of this thing and nothing else.

Mr. BRINKMAN. We have a letter dated March 15, 1930, on the stationery of the Washington Real Estate Board, which was secured from the records furnished by Mr. Rush, signed Alfred H. Lawson, president.

It is entitled "Special Report, Subject—Legislation," and this letter was sent out after the beginning of the period of 10 months when there were no recorded minutes of the mortgage and finance division. But in this letter, which I will ask to be put in the record, Mr. Lawson states:

> A special committee of the mortgage and finance division has been appointed to study and report to the executive committee in respect to the so-called mortgage foreclosure bill and the uniform security act. This committee at the present time is collaborating with representatives of other groups affected by the legislation.

This indicates the mortgage and finance division was in existence and was functioning, but we have found no minutes subsequent to February 20 of that year.

That also goes in the record.

(The letter referred to, dated March 15, 1930, is as follows:)

MARCH 15, 1930.

SPECIAL REPORT—SUBJECT: LEGISLATION

FELLOW REALTORS: For the past two weeks the House District Committee has been holding hearings and considering a real estate brokers' license law.

During this time our secretary has devoted his entire time at the Capitol in the interest of this legislation. By direction of the executive committee, the board indorsed the Blaine-McLeod bill with certain modifications and agreed to have this bill substituted for the license law which had been presented to Congress by the board.

This matter is still before the House District Committee and will probably be voted on by that committee at its meeting on Wednesday, March 19.

A special committee of the mortgage and finance division has been appointed to study and report to the executive committee in respect to the so-called mortgage foreclosure bill and the uniform securities act. This committee at the present time is collaborating with representatives of other groups affected by the legislation.

The board is purposely refraining from issuing any publicity at this time in connection with these matters. Our efforts are being directed in a quiet, dignified way so that at the proper time we may be in a position to present to Congress information and cooperation which should be helpful in the consideration of these legislative matters.

It is my desire to assure the individual members of the board that the executive committee has taken the necessary steps sufficient to properly look after the interests of the members. I will be very happy to discuss this subject with any member of the board and also welcome any suggestions, ideas, or assistance that any member may care to offer.

Respectfully,

ALFRED H. LAWSON, *President*.

Mr. BRINKMAN. We have also certain records of the Operative Builders Association. They have not yet been put in the record, but I made an examination of the minutes furnished by the present counsel of the association, Mr. James Wilkes, on November 11, 1932, in his office at 616 Denrike Building. I asked Mr. Wilkes to furnish me with certain documents mentioned in those minutes. One was a "service code," mentioned in the minutes of the executive committee of the Operative Builders Association, August 3, 1926, that was to be prepared and sent to members for consideration.

Another document which I asked him for was a "platform," referred to in the minutes. It was a platform of the organization, but I have not been furnished with either the platform or the service code.

The guiding spirit of the organization was Rufus Lusk, who has appeared at these hearings representing the Real Estate Board. Mr. Lusk was president and executive secretary of the Operative Builders Association. The association was composed of men engaged in building homes, apartments, and the minutes show that it had a "service code" and "platform." It conducted surveys, and from time to time it ordered those results to be kept from the press. Those statements are found in the minutes of the organization, for instance, on April 10, 1928, when the committee disapproved of giving any information to the press in reference to the recent apartment survey made by the association.

The CHAIRMAN. Were any reasons given?

Mr. BRINKMAN. No; it gave no reasons. Later on they voted——

Senator KEAN. Why should they?

Mr. BRINKMAN. From time to time they did give some statements.

Senator KEAN. They do not have to.

Mr. WHITEFORD. It is their business, not Mr. Brinkman's.

Mr. BRINKMAN. The apparent effort, as I gathered from the minutes of that organization, was to prevent the building of more houses and apartments than could be sold or filled without depressing prices. For instance, on August 10, 1926, the executive committee of the association condemned the efforts to provide cheaper housing in Washington, and this committee may or may not remember that President Hoover, who was then Secretary of Commerce, made a strong protest publicly, which was printed in the newspapers here, against prevailing house and apartment rents in Washington. He interested himself to the extent of working out a plan for the building of cheaper apartments and houses, and apparently the financial backing was to come from the Metropolitan Life Insurance Co., which had been engaged in some building operations of that sort in New York, I think.

However, the minutes of the Operative Builders Association of April 26, 1928, contains this statement, credited to Mr. Lusk:

> An accurate record is kept of all houses and apartments built and all houses sold, and through a system which has been developed we are able to tell with a certain degree of accuracy what building can take place with any given year. The statistical work of this association is being constantly broadened. The value of the surveys we make is evidenced by the fact that the figures contained therein are constantly quoted by everyone in the city interested in building, particularly bankers who look to this organization for accurate building information.
>
> Two years ago, there was much talk of the building of a vast apartment project for Government employees through some sort of subsidy. Had this been done, the disasters that would have overtaken many builders is easy to imagine. The Operative Builders Association protested against this simultaneously with its announcement in the papers. It further went on record against such unfair competition, and within five days after its first announcement, three of the leading editorials of the Washington Star strongly denounced this program, and stated the damage it would do to the operative builders in Washington, and the plan soon was forgotten.

In other words, the plan was shelved to reduce the housing costs in Washington.

Mr. WHITEFORD. A lot of other plans of Mr. Hoover have been shelved since early in November.

Mr. BRINKMAN. The minutes of the organization for June 14, 1932, contain the following:

> Mr. H. L. Rust, sr., calls the attention of the association to statements made by a local building company, substantially to the effect that it could effect a saving of approximately $2,000 to purchasers from it of buildings erected by the company. Mr. Taylor stated that he had noticed such a statement in the advertisement of the same company, and further statements therein to the effect that the company never builds until it sells a particular house, thus saving commission, advertising cost, carrying charges, etc., and further statements to the substantial effect that the company could undersell anyone else due to quantity buying, etc. A general discussion followed, at the conclusion of which Mr. Taylor and Mr. Wilkes were instructed to take the matter up with the Better Business Bureau.

The effect of that was they resented and combated any advertising showing a saving in home prices here, and at a meeting of October 11, 1932, the counsel for the association was instructed to investigate the activities of a Philadelphia firm which had been distributing pamphlets advertising that it would erect and sell a $5,000, or $6,000

house on an installment plan, whereby it would only be necessary for the purchaser to pay $30 a month over a period of about 15 years. The association's counsel was instructed to take the matter up with the Better Business Bureau.

There can be no doubt from these and other entries that the primary purpose of the organization was to "stabilize" house prices and rents in Washington, to the end that there might be no reduction from the high levels prevalent in the District of Columbia.

In this effort the Operative Builders' Association had the active help and cooperation of the Washington Real Estate Board, the District Bankers' Association, the mortgage loan agents representing life insurance companies, and others who control the financial resources of the city.

The minutes of the Operative Builders' Association show they were constantly conferring with the bankers and even gave a luncheon or dinner for the members of the Bankers Association, and in fact discussed, apparently, the matter of how much building should be done in Washington. The efforts of the organization seems to have been to stabilize prices of rents and prices of homes.

Now, then, there was another organization working right along the same line. We have already referred to that.

Senator KEAN. There is no reason why contractors can not come in here from Philadelphia or Baltimore or Pittsburgh or Richmond or any other place, and build a house.

Mr. BRINKMAN. If they can get the money, the financing, but the fact is they have not. When one did try to come in this association met and decided to ask the Better Business Bureau to investigate it.

Mr. WHITEFORD. Do you know anything about the bona fides of the men coming in and the integrity of the proposition, Mr. Brinkman.

Mr. BRINKMAN. I think I do, but I do not think that is necessary to discuss.

Mr. WHITEFORD. You do not think it is important to know whether or not when somebody puts an advertisement in the paper it is necessary to investigate him?

Mr. BRINKMAN. I will bring the man before the committee.

Mr. WHITEFORD. That is not the point.

We have a Better Business Bureau, and we are entitled to see that the people of the community do not suffer at the hands of a lot of advertising that will not be performed. If a man wants to come and build houses in the District, he can come and build them as cheap as he can, and nobody will stop him. Certainly we have a right to see that the propositions are lived up to and people are not fleeced.

I suppose you want to include the Better Business Bureau in this so-called conspiracy.

Mr. BRINKMAN. I might say for the benefit of the committee that the Better Business Bureau was one of the organizations which was induced to oppose any protection under foreclosure laws, against quick foreclosures of mortgages. The Bankers' Association legislative chairman, and, incidentally, the chairman of the Better Business Bureau, was a leading spirit among the bankers, Mr. F. G. Addison, and they opposed any protection of home owners against quick foreclosures.

When a person buys a home or apartment here he signs a deed of trust, and that deed of trust gives the trustees absolute power upon any default, either in interest or principal, to sell the property upon such notice and such advertising as they see fit; in other words, no time is given, not even 10 days' time. Generally, however, 10 days is the usual period of advertising. So that if a man falls behind in his interest within one day foreclosure sale can be had, and the man can be done forever out of whatever equity he had in the property.

This organization, the Real Estate Board, the Operative Builders Association, the Better Business Bureau, for what reason I can not imagine, all opposed any protective legislation, so that borrowers might have some period for arranging for meeting their interest or principal payments.

The committee may be interested in these pictures that I secured from a Philadelphia paper. Here we find [indicating] houses advertised in the city of Philadelphia in the Philadelphia Enquirer of November 27, 1932. They are very much like row houses in Washington; in fact, they are better in appearance than some of the row houses here. The committee can judge for themselves after looking at them. They are advertised for $4,350, at $35 a month carrying charge.

If the committee will look in the papers to-morrow night, for instance, you will see houses in Washington advertised, certainly no better in appearance than these, from $8,950 to $10,000 and above.

These houses, according to the advertisement, are all stone and brick, six large rooms, colored tile bath with stall shower, Quality enameled gas range; copper screens and shades; 26 electric outlets; garage with heat and light; Capitol insulated heater; Trane recessed radiators; parquetry floors; toilet and laundry tubs in basement; Mono-tile in kitchen; Oxford kitchen cabinet with double drainboard sink; living room 16 feet by 23 feet 6 inches, with French doors between dining-room and living room; beautiful wall coverings; latest style electric fixtures. The advertisement, "Furnished sample house open 10 a. m. to 9 p. m."

This is advertised by James F. Nolen & Sons, builders and owners; Erlen Realty Co., agents.

Then I have here other pictures of houses of similar type to this in Philadelphia. One of them is 6838 Chester Avenue, close to Coss Creek Park. Two-story row house with enclosed porch. Three bedrooms and bath. Basement garage. Price, $5,250. Cash payment, $550. Monthly payments, $37.60 including saving. Taxes approximately $11.60 per month.

I might bring before the committee other circulars showing in other cities homes which in appearance at least are better and advertised for much less than in the Washington papers, and that statement of mine is borne out by the records that have been incorporated in the hearings, showing that sales price or values of houses in Washington are approximately twice the price as in Baltimore, and very much in excess of the price in other cities.

We have an average value here, I think, of $9,200, and in other cities the price is very much less than that.

Senator KEAN. You mean for like houses?

Mr. BRINKMAN. For similar houses, yes; so that it is apparent that Washington prices, as well as rents, are higher than in other cities.

Mr. RUSH. Just to give you a thought in there, according to the United States Census Bureau (and Mr. Brinkman says their figures are correct) there are 47,190 people who own homes in the District of Columbia. Sixty-seven and one-tenth per cent are valued at more than $7,500 apiece. The value of homes in the District is much greater than that in any other city. There is no argument about it.

The CHAIRMAN. The people of Washington can maintain a better class of residences?

Mr. RUSH. Yes.

The CHAIRMAN. Than other cities?

Mr. RUSH. Yes; as brought out the other day, San Francisco has the highest per capita in the United States, and Washington, D. C., is second. Our average wage is $1,600, and San Francisco is above that, and I think it will hold that if we check the average valuation of the homes in San Francisco, we will find they are very high, because people like to have good homes. Washington people require them.

The CHAIRMAN. My understanding of the point Mr. Brinkman is trying to make is that the same class of residences, the same general size and style of construction, architecture, and so forth, sell in Washington for higher prices than in other cities.

Mr. RUSH. He is trying to make that contention, but if you go to Philadelphia or Baltimore and drive down those streets and see the properties offered, and come back here, move those same properties to Washington, you will see that that is all they are worth. You will find that there is a different type of construction, difference in the size of the lots, and all the rest of those things in Philadelphia and Baltimore than in Washington, D. C.

Mr. WHITEFORD. It is a novel thing to compare houses by newspaper advertisements. I would think people would go in those houses and study the construction of them.

Mr. BRINKMAN. I think the committee members' eyes are a pretty good judge of that.

Mr. WHITEFORD. That is no way to compare properties.

Mr. BRINKMAN. I have been in many of the homes in Washington that sell for $7,500 to $10,000, and I have found them very cheaply constructed, very low grade woodwork, plastering that cracks after a year, and roofs that leak within a year or two. Friends of mine occupy some of those houses.

Mr. WHITEFORD. You ought to go in the building business if it is that profitable. If a house can be built like that in Philadelphia and sold for $4,000, you can find a ready market for those houses here, and make yourself a lot of money. If you are so well informed on the subject, you ought to go in that business.

Mr. BRINKMAN. I will endeavor to show by the minutes what I am referring to. Here is a Philadelphia model home, $4,390, and it has many features mentioned in the advertisement I read before—wide main street, large yards, lots 103 feet deep, all brick construction, seven large rooms, three bedrooms, colored tile bath with shower, basement toilet, window shades included, deep garage, at-

tractive terraces, parquetry hardwood floors, built-in bookcase, mantle, American radiator heating plant, inlaid linoleum, and so forth, 6200 Blacok, Mulberry Street, beautiful Mayfair, in Philadelphia.

I have others here, but I do not thing it is necessary to take up the time of the committee with these.

We were unable to find records of the Association of Building Owners and Managers, although we had the secretary of that organization before us, and she said minutes were kept of the meetings. We have not been able to find the minutes. We found the minutes of only one meeting of that organization.

I did find that organization was meeting in the board room of an evening newspaper company here, and at one of those meetings they pledged a fund of more than $3,500 to oppose the extension of the Ball Rent Act in Washington, and arranged to engage a professional lobbyist, a former Member of Congress, to defeat the law.

Mr. BOWIE. Tell the committee who he was.

Mr. BRINKMAN. The man they contemplated hiring?

Mr. BOWIE. Did hire.

Mr. BRINKMAN. No.

Mr. BOWIE. Did hire.

Mr. WHITEFORD. Senator Thomas P. Gore.

Mr. BRINKMAN. The man they desired to hire was Mr. Phil Campbell, Congressman from Kansas, but for some reason unknown to me they did not hire Mr. Campbell. Later they hired Senator Gore.

Mr. WHITEFORD. He represented them?

Mr. BRINKMAN. I have nothing to conceal.

Mr. WHITEFORD. No?

Mr. BRINKMAN. I did not like to bring up the name of a dead man.

The CHAIRMAN. No; he is not dead. He has been an ex-Congressman for a good many years.

Mr. BRINKMAN. He was at that time.

Mr. WHITEFORD. Politically dead.

Mr. BRINKMAN. I assumed he was dead, in fact as well as politically.

Mr. WHITEFORD. Do you characterize him as a professional lobbyist?

Mr. BRINKMAN. No; the minutes proclaim him as a professional lobbyist. I will give you the exact date. These minutes were the only minutes I found of that organization. I think it is significant they were holding their meetings in the office of a newspaper here.

Mr. WHITEFORD. The only thing you have not gotten in this organization so far is the Salvation Army and the Board of Charities. You will get those in pretty soon, I guess.

Mr. BRINKMAN. That meeting was held by the Building Owners and Managers' Association on January 17, 1923. It was a nice Friday evening, and among those present were Mr. R. L. McKeever, presiding; Messers. Patterson, Karrick, sr., Karrick, jr., Snow, P. Bowie, who I assume was the father of the Mr. Bowie here. It may be his brother.

Mr. WHITEFORD. It is a crime that you people have to listen to gush like that.

Mr. BRINKMAN. I appeal to the committee to ask Mr. Whiteford to be at least respectful in his bearing to the committee.

Mr. WHITEFORD. I do, but not to you.

You assume that Mr. Bowie's father was there.

Mr. BRINKMAN. Who was Mr. Bowie? Who was he, Mr. Bowie?

Mr. BOWIE. He is an employee of H. L. Rust Co., and a cousin of mine, about 15 years younger than I am.

Mr. BRINKMAN. He represented the Rust Co.?

Mr. BOWIE. Yes.

Mr. BRINKMAN. I stated I assumed that. I did not state it as a fact.

Then they mention Mr. Philip Campbell, "a professional lobbyist," and agree to make him a proposition of $500 to $1,000 retainer, with a contingent fee of an additional $1,000 to $1,500 to defeat the reenactment of the Ball Rent Act.

It was decided that the revenue for the fight to defeat the rent legislation would be raised from donations from members interested in apartments and by contributions from outside parties owning or managing apartments, the sum of $3,550. Mr. McKeever guaranteed $500; Mr. Snow, $500; Rust Co., $500; Bliss Co., $500; F. H. Smith, $500; and so on.

That demonstrates to the committee that I am speaking from the record.

Senator KEAN. The Smith Co. is out of business?

Mr. BRINKMAN. Yes; its late president is down in one of our penal institutions.

The CHAIRMAN. They had some part in the program of high financing?

Mr. BRINKMAN. Yes; they were working right along with these other real-estate men, to prevent any extension of the rent act, because they were dealing in these apartments that were mortgaged for twice what they were worth, and selling the securities all over the country.

Mr. RUSH. That is an unfair implication that they were working right along, Senator Kean. I think that is an unfair implication.

Mr. BRINKMAN. The record shows they were assessed the same amount as the Rust Co.

Mr. RUSH. The records may show, but your implication is uncalled for.

Mr. BRINKMAN. I may state that the operations of the Smith Co. were called to the attention of the Real Estate Board, and they did not do anything to stop those operations.

Mr. BOWIE. You did not read the minutes accurately.

Mr. BRINKMAN. I would like to put in the record a list of apartments and houses controlled by the members of this combination of which I am speaking.

This list shows that 23 of these firms controlled 17,816 apartments and houses.

The CHAIRMAN. Of what total would that probably be?

Mr. BRINKMAN. It would probably be more than half.

Mr. RUSH. There are thirty-seven thousand and odd units in the District of Columbia.

Mr. BRINKMAN. Many of those units are flats over stores.

Mr. RUSH. The Census Bureau classifies them as apartments, and just to get the record straight, the figure is 37,295.

Mr. BRINKMAN. Twelve of those firms control nearly 15,000. They control exactly 14,845 apartments and houses.

Getting down a little further, we find five of those firms, H. L. Rust Co., B. F. Saul Co., H. G. Smithy Co., Thomas J. Fisher Co., and Randall Hagner, control no less than 10,000 apartments and houses. In other words, you have five men, as the heads of those firms, that control the places where 10,000 families live. I do not know of any other city in the country which shows such a concentration of control.

Mr. WHITEFORD. Do you know anything about any other city?

Senator KEAN. Was Saul one of the people that was mixed up in those Smith deals?

Mr. BRINKMAN. No; I do not think they were at all involved with the Smith transaction.

Senator KEAN. If I remember the testimony in the Smith thing, a lot of people came in here with deeds, and one of those complained of was the Saul Co., was it not?

Mr. BRINKMAN. Your memory is partly correct, that there was a complaint about the Saul Co., but it was in connection with some undisclosed mortgages.

Senator KEAN. In other words, the Saul Co., in making the first mortgage, told the man all he had was the first mortgage to pay, and when he paid on that he found out there was another mortgage?

Mr. WHITEFORD. No. That was not the Saul Co. The Saul Co. owned the land and sold it to Mr. Shapiro, and he built houses. They took second trusts for the ground, and some cash, I assume, or not, but there were second trusts. When Shapiro sold those houses to various purchasers many of them did not have the titles examined, or if they did they did not get the title certificate.

Senator KEAN. They never thought of it.

Mr. BRINKMAN. Yes; they did.

Mr. WHITEFORD. There was a lot of misuse of words about it. They called them hidden trusts, and trusts to be valid have to be recorded, and trusts can not be hidden. It is a misnomer. A lot of people like to put on their tongues to criticise somebody.

What happened was Shapiro was to release the trusts. When he sold them they gave second trusts. He had not released the underlying trusts when he gave title, and not being settled through the title company the purchaser was confronted with two trusts on there, plus the one he had given. Shapiro has cleaned up every one of those, every person getting his home. There has not been anybody hurt, and there was no justifiable ground in any way to criticise the Saul Co.

Mr. BRINHMAN. I deny the conclusion. The Saul Co. was partly to blame. It assumed some responsibility after the disclosure was made by this committee, and it did undo some of the damage that had been done, because it realized it was morally responsible.

Mr. WHITEFORD. It was not legally or morally responsible. Mr. Brinkman was glad to turn up all the information he could.

Mr. BRINKMAN. The information that I disclosed resulted in the conviction of Mr. Shapiro.

Mr. WHITEFORD. And he was put on probation by the court and cleared up every one of them.

Senator KEAN. I am glad he was, because it was a rotten situation.

Mr. WHITEFORD. It was a bad situation, and while I knew him slightly, I will never have a dead man's memory, like B. F. Saul, castigated by Mr. Brinkman.

Mr. BRINKMAN. Let it be remembered that I did not bring Mr. Saul's name in.

Mr. WHITEFORD. You said he was subject to criticism, and what you did, because your disclosures, that he helped to get rid of the mortgages. I say it is not the fact at all.

Senator KEAN. I was quite shocked at that situation.

Mr. WHITEFORD. It was not Saul's fault at all.

(The statement referred to by Mr. Brinkman is as follows:)

EXTENT AND EFFECT OF CONTROL

From the foregoing, it will be seen that there were in existence and working in close harmony a number of organizations of real estate agents, owners of apartment properties, and bankers and mortgage loan agents, all having as their common object the "stabilization" of the notoriously high rentals of the District of Columbia and the high prices of Washington real estate.

This closely knit and interlocking combination of building and financial interest has had complete control over probably the majority of apartment houses and mortgaged single dwellings in the District of Columbia.

Something of the extent of the control exercised is shown by the following tabulation:

Number of apartments and houses controlled

	Apartments	Houses
H. L. Rust Co	2,022	500
B. F. Saul Co	2,016	(e) 1,550
H. G. Smithy Co	1,127	----------
Wardman Real Estate Properties Co	809	----------
Real Estate Mortgage & Guaranty Corporation	541	----------
Weaver Bros	539	----------
Moore & Hill	340	----------
Charles E. Tribby's Sons	328	----------
Higbie, Richardson & Franklin (Inc.)	190	----------
Washington Loan & Trust Co	494	----------
American Security & Trust Co	249	----------
Francis E. Blundon Co	238	----------
L. E. Breuninger & Sons (Inc.)	329	----------
Thomas J. Fisher Co	1,211	----------
National Mortgage & Investment Corporation	165	----------
Randall H. Hagner & Co	1,265	300
T. F. Schneider, Jr., Corporation	590	----------
Stone & Fairfax	194	----------
J. C. Weedon Co	268	----------
Shannon & Luchs Co	392	----------
Boss & Phelps	583	299
Cafritz Co	806	133
Fidelity Storage Co. (Karrick)	278	----------
Grand total, houses and apartments	15,033	2,782
Total of 12 leading firms	14,845	----------

Mr. BRINKMAN. The real estate people here have been particularly interested in what the newspapers said and did. I think there is a sort of note of humor in this whole situation, in the letters sent out, or special report sent out on June 7, 1930, by John A. Petty, executive secretary of the Washington Real Estate Board.

They went so far in their desire to sew up the real estate situation in the District of Columbia that they wanted the newspapers to refrain from publishing unnecessary news items concerning hot weather in Washington. The executive committee met and sent

a letter to the newspapers requesting that news of hot weather be kept out of their papers.

Senator KEAN. If you stay here you can find that out.

Mr. WHITEFORD. That is also quite a criticism of Florida and California.

Mr. BRINKMAN. They said the individuals should express to the newspapers their feelings in connection with this matter whenever they see news items of this type featured.

It was an attempt by the advertisers to influence news.

We find something more serious in the records of the Washington Real Estate Board's viligance committee meeting. They had a vigilance committee.

I desire at this point to call the attention of the committee to the minute of November 15. The year is not given in the minute book. It is printed in our hearings on page 374, December 2, 1932.

Present: Messrs. Barry, W. L. King, Heinzmann, and A. A. King.

* * * * * * *

Upon motion of Mr. Barry, the committee adopted the following resolution and recommended that the board adopt it at its meeting November 16:

Whereas the Washington Real Estate Board is making every serious effort to elevate the practice of real estate in the District of Columbia; and

Whereas the vigilance committee feels that the practice of using in box-office advertisements such statements as "No agents or brokers need apply" is undignified and tends to discredit the read estate profession: Now, therefore be it

Resolved, That the members of the Washington Real Estate Board, in meeting assembled, do hereby condemn such practice and pledge the vigilance committee their cooperation in preventing such statements being used in the future.

For the purpose of distributing the work as regards watching the newspapers, Mr. W. L. King agreed to take the Star, Mr. A. A. King the Post, Mr. Heinzmann the Times, and Mr. Barry the Herald.

No further business, the meeting adjourned.

Respectfully submitted.

JOHN A. PETTY, *Executive Secretary.*

Mr. BRINKMAN. This vigilance committee was going to the Washington newspapers to see that they did not allow any advertisement containing the statement "No agents or brokers need apply."

Mr. WHITEFORD. I assume that we will have a chance to explain a lot of this misinformation. That has no more semblance of fact in it, that statement of Mr. Brinkman, than if he were changing the alphabet. It has nothing to do with the situation, and he does not know the facts about it.

Senator KEAN. You will have a chance.

Mr. BRINKMAN. These firms on the list inserted in the record control the mortgages on many thousand homes all through the District of Columbia.

They were agents of insurance companies, and they had power to make instant foreclosures on these homes, in case of default, and to refuse to renew loans, so that they had a power exceeding their renting power. They had a power over mortgages on apartment properties, and if an apartment owner refused to accede to their terms, they had the power to foreclose practically without notice and without advertising.

Now the question comes up, what other power did these agents have over the control of these big apartment properties?

I want to put in the record now a letter from J. F. M. Bowie, vice president of H. L. Rust Co., dated November 15, 1932, addressed to me, reading:

H. L. RUST CO.,
REAL ESTATE LOANS AND INSURANCE,
Washington, D. C., November 15, 1932.

Mr. O. H. BRINKMAN,
Washington, D. C.

SIR: As promised to the subcommittee of the Senate District Committee on Thursday, November 10, I am inclosing herewith copy of our form of deed of trust including the provision granting the H. L. Rust Co. authority to determine the policies and management of the property.

Very truly yours,

J. F. M. BOWIE, *Vice President.*

There is attached to that letter a form of deed of trust, and typewritten in it by Mr. Bowie, of Mr. Rust's office, are these words:

It is hereby agreed between the parties hereto that so long as any part of the principal of the debt hereby secured remains unpaid, the H. L. Rust Co. shall act as agent for the collection of rents from the property hereinafter described and hereby conveyed, and also shall have the management and right of determining all matters of policy in connection with said management, and for such services shall reserve to itself a commission of 5 per cent of the gross amount of rents collected.

Under that provision they have the right, the absolute right, to fix rents and to determine who should be employed and what the expenses should be, what repairs should be made, and so forth.

So that, in fact, the agent controlled the property, and not the owner, and that form of deed of trust is in quite general use.

I am going to cite to the committee a provision of the Fisher Co.

Senator KEAN. Put the deed of trust in the record.

Mr. BRINKMAN. All right. That provision, at least.

Let us see the provision about advertisement of property in case of default.

Senator KEAN. Put that in the record.

Mr. BRINKMAN. That will go in the record.

Mr. BOWIE. It is 10 days.

Mr. WHITEFORD. That provision will stay in any deed of trust for anybody that makes loans in the District of Columbia.

Mr. BRINKMAN. It is not 10 days.

Mr. WHITEFORD. It probably says "in the judgment of the trustees."

Mr. BRINKMAN (reading):

That upon any and every such default of money as aforesaid——

That included any default, no matter how trivial.

The said party hereto of the second part, or the trustee, acting in the execution of this trust, shall have the power, and it shall be his duty thereafter to sell, and in case of any default of any purchaser to resell, at public auction, upon such terms and conditions, in such parcels, at such time and place, and after such previous public advertisement as the party of the second part, or the trustee acting in the execution of this trust, shall deem advantageous and proper. * * *

That is, they had utter discretion to do what they wanted.

Senator KEAN. There is no bond?

Mr. WHITEFORD. No, sir, and there never has been in the years this has operated—there never has been a default by the trustees in funds that have come in. The courts are open for any man.

Mr. BRINKMAN. There have been defaults by the trustees. How about Swartzell, Rheem & Hensey Co., who received millions and put it in their own pockets?

Mr. WHITEFORD. Judge Letts decided that question so far as the trustees are concerned, but the point I am making when these trusts are foreclosed without any longer advertisement than they make, of course they are not foreclosed the next day for any trivial default.

The courts are open for them to go in, for instance, to show that the sale was at an inadequate price, and they can set the sale aside if the property did not bring a sufficient amount, if the terms were too rigid, if the sale was on a snowy day, all those conditions, and every now and then somebody goes in and a sale is ordered to be remade, but there is never any trouble about it. There may be a little suggestion that could improve the system.

The CHAIRMAN. Out in Kansas they have got a redemption period of 18 months.

Mr. WHITEFORD. I think a redemption period of 18 months is wrong. I think it is absolutely wrong, no matter where it is. You tie up a piece of property, not only for a period of 18 months, but for a period of foreclosure plus 18 months. You can not sell it. A purchaser will not buy it, if he knows he will not get it for 18 months. Whenever you fix a redemption period of that character on a piece of property, who will buy it? Suppose you were going to foreclose a building to-day, and you were interested in buying it, you want it for your business; you go to a foreclosure sale and say, "If I buy it it will be 18 months before I get it. I want some place for my business now."

That redemption period is too long, in my judgment, with respect to real estate. It should not be any longer than for your redemption of collateral in a bank, not a bit in the world. Experience here shows in every way that people do not foreclose just because interest is in default a few weeks or a few months. They do not foreclose on account of taxes. You can find a case now and then, but I am speaking about the general practice.

To tie a piece of property up on a redemption period of that kind is absolutely wrong and destructive of the value of the property.

The CHAIRMAN. Most States have a redemption period.

Mr. WHITEFORD. Some of them do. The reason they have them is this: It goes back to the original practice of foreclosing on farms. That provision goes back hundreds of years in our real estate laws.

Times have changed. When you say to a man who has loaned money on a piece of property, on a piece of business property, on F Street, and the owner of the property is bankrupt, and the man who wanted his money has got to foreclose to get his title, he can not get it for 18 months, how will anybody purchase that property if he can not get it for 18 months and over?

You risk the value of a piece of property out of a pure matter of sentiment, that really grows out of the idea where it is often said that some poor widow is foreclosed and her home is taken away from her. It is not good business. It is not good reason. It is not good for the value of the property. If a man is going to be able to redeem his property at all, under ordinary circumstances he will be able to do it in the period of the advertisement, plus maybe 30 or 60 days after that time.

Mr. BRINKMAN. He does not have that time.

Senator KEAN. You think he ought to have that time?

Mr. BRINKMAN. He does not have one day.

Senator KEAN. I mean to say you think 60 to 90 days is satisfactory?

Mr. WHITEFORD. That would be the outside, I may say, long enough. When you put your foreclosure in a court proceeding, you tie it up.

I have an office in Maryland, and I practice law in the State of Maryland as well as in the District of Columbia. We have a fairly simple foreclosure law there, but we do not have that long period of redemption, but we do have a court proceeding that costs money. To show you in a home-owner case, with a trust of $10,000—the interest had been due, overdue, for over a year. The taxes were due for a year, and the holder of the trust did not foreclose. He put the advertisement in the paper the other day. The trustees had to come to Rockville and put up a bond. They put up a bond for $10,000, representing the amount of the trust. It went down to the day before the sale, and the home owner was able to get his interest and taxes. What did he have to do? He had to pay all the expenses of that court proceeding in Rockville. He had to pay $80 bond premium that the surety company was entitled to.

All this matter in connection with sentiment talk is, so far as foreclosure is concerned, you add to the cost and burden the property with that much more expense, tie it up under a period of redemption for too long a time.

Senator KEAN. The other side of it is that the man, if he has not the time to do so, would not be able to redeem the property.

Mr. WHITEFORD. He could redeem it in 30 days. I am not objecting, if you want to make an advertising longer than 10 or 15 days or 30 days—I would not object to that. I do not mean to ruthlessly take the man's property. We have got to get away from so much sentiment.

The CHAIRMAN. I think you have got the tightest laws in this District of any place in the country, as to foreclosure.

Mr. WHITEFORD. In the long run and in the main, it works out all right, and it is not working a hardship.

I have owned trusts, and I have owed money on trusts. If I had foreclosed a lot sooner on a lot, I would have been better off. A man carries them along to his final detriment.

Senator KEAN. That may be so, but what we have got to take care of is not the man that is going to be a little generous and give him time and try and work things out—we have got to take care of the man who is hard-fisted and is going to take every advantage that he possibly can.

Mr. WHITEFORD. I have no quarrel with you on that.

The CHAIRMAN. In the District of Columbia it looks like the man who has made the loan has a certain advantage.

Mr. WHITEFORD. I have yet to see or hear of those fellows that are taking advantage.

Mr. BRINKMAN. I will tell you of a case in mind, which I carried to the Court of Appeals of the District of Columbia, and won.

A lady by the name of Spruill—that is, the case was entitled Spruill *v.* Ballard—had acquired a home in the city of Washington. She kept roomers and tried to make her living that way. She had a $9,000 mortgage on her property. The property was assessed at $12,500, and in placing the mortgage the agents placed a value of

approximately $16,000, so that it was a good first mortgage, less than 60 per cent of the value. This will only take a minute. She fell a little behind in her interest payments. For two and a half years she paid her interest promptly on the day due.

On the anniversary of the fifth time for making her semiannual interest payment she could not pay it. A month and a half afterwards the trustees notified her they were going to advertise and sell that property unless she paid the interest. She went to them on the same day she received the notice and tendered them the full amount of interest. She offered them the taxes due on the property. She offered them everything due on the property except the principal, which was not yet due, and they refused to accept it because she would not pay them $225 commission, because they had advertised the property. They had put the advertisement in the paper one day, in the Evening Star, I think. She offered them the cost of that advertising one day. She could not pay the $225 commission. Under the terms of the mortgage the trustees are entitled to a fee of 5 per cent if they sell the property, but so far as advertising it is concerned they get 2½ per cent. She could not pay them that, and they proceeded to sell the property.

I went into court, the Supreme Court of the District of Columbia, and tried to get an injunction to prevent them, and the court, two justices of that court, refused to grant the injunction. The property was sold and the woman was put out in the street in the rain of a cold November day. She was taken in and given shelter by friends of hers in the neighborhood. Her personal property stood in the street several days, and finally the police department put it in storage.

I took that case to the Court of Appeals in the District. The Court of Appeals held in my favor, reversing the decision of the District Supreme Court, and sent the case back.

Nevertheless, the woman is out of her house. She has no means of support.

That is the situation of the present laws of the District of Columbia.

There was the case also of the Ryon Co., decided by the Court of Appeals not long ago, a very similar case, where the trustee sold the property to his own wife. I would like to put in the record an article from the Evening Star of November 30, 1932, speaking of cases of that type, where imposition is being practiced by these mortgage institutions in the District, represented by some of these men around the table. There is much harassment of borrowers. I could not help hearing Senator King pleading with Mr. Bowie to give some grace in connection with a mortgage borrower. In most cases people have no Senator to intercede for them, and they lose their homes.

This article from the Star points that out, and I would like to put it in the record.

(The article referred to is as follows:)

MORTGAGEES HERE SEEK DIRECT LOANS—HOME FINANCING INSTITUTIONS IN DISTRICT OF COLUMBIA ACCUSED OF HARASSING DEBTORS

Charging they are being harassed by home-financing institutions in the District and in near-by Maryland and Virginia, hundreds of small-home mortgagees in distress were reported to-day to be appealing to the Federal Home Loan Bank Board for direct loans.

At the headquarters of the board it was said that a number of applications for direct loans have been received from small home owners in this section and that they have been resubmitted to the fourth district bank at Winston-Salem, N. C., with a special plea that prompt action be taken.

NOT GRANTING EXTENSIONS

Members of the board refused to comment on the situation. A number of persons appearing at the board's headquarters claimed the systems of eligible and noneligible institutions in this vicinity are not granting extension of mortgage payments to those in distress.

One applicant informed newspaper men he had filed with the board an appeal for a loan of approximately $200 to meet the interest on his mortgage by a Washington home-financing institution which had refused to grant him an extension.

Another related how she had reduced her second mortgage from $6,000 to $3,000 before becoming unemployed, and because she is not in a position temporarily to make payments on her trust she charges the mortgagor was threatening foreclosure.

TWENTY INSTITUTIONS HERE

The board's policy toward these applications is to forward them directly to the Winston-Salem bank, which in turn appeals to the mortgagor to grant extension on the assurance of the system's financial support.

There are approximately 20 home-financing institutions in the District, 9 of which have become members of the new Federal system. Those nonmember institutions, nevertheless, are entitled to receive financial aid under the home loan bank act. Officers of these financing institutions, both members and nonmembers, declared that they had not yet filed applications for loans.

Chairman Franklin W. Fort of the board has declared that there are evidences of a relaxation of loan policies by building and loan associations and other member institutions in various sections of the country on the reliance that funds will be available from the home loan banks if needed.

Mr. BRINKMAN. In accordance with Senator Kean's request, I desire to incorporate in the record the deed of trust to which he referred.

(The deed of trust referred to is as follows:)

This deed of trust made this — day of ——— in the year nineteen hundred ——— by and between ———.

Whereas it is hereby agreed between the parties hereto that so long as any part of the principal of the debt hereby secured remains unpaid, the H. L. Rust Co. shall act as agent for the collection of rents from the property hereinafter described and hereby conveyed, and also shall have the management and right of determining all matters of policy in connection with said management, and for such services shall reserve to itself a commission of 5 per cent of the gross amount of rents collected.

The said part hereto of the first part hereby covenant for ——— heirs and assigns that should the part hereto of the first part, ——— heirs or assigns, fail to pay said interest on said debt, or any portion thereof, when and as the same shall become due and payable, the H. L. Rust Co., a body corporate, duly incorporated under the laws in force in the District of Columbia, may at its option, advance to the holder or holders of said notes such overdue and unpaid interest, and the sum or sums so advanced shall bear interest at the rate of — per cent per annum from the date of such advance, and the sum or sums so advanced, with interest thereon, shall forthwith attach as a lien hereunder and be demandable at any time.

And whereas the part hereto of the first part desire to secure the full and punctual payment of said debt and interest thereon, as well as any and all renewals or extensions of said note or of any part thereof, with interest on such renewals or extensions, at such rate of interest as may be agreed upon, and any notes given for interest covering any extension, with interest thereon from maturity of the same (which renewals or extensions of the debt or any part thereof, hereby secured, or any change in its terms or rate of

interest payable on same, shall not impair in any manner the validity of, or priority of this trust); and also to secure the reimbursement to the holder or holders of said note , to said H. L. Rust Co., and to the part hereto of the second part, ——— or substituted trustee, and any purchaser or purchasers, grantee or grantees under any sale or sales under the provisions of this trust, for all money which may be advanced as herein provided for, and for any and all costs and expenses (including reasonable counsel fees) incurred or paid on account of any litigation at law or in equity, which may arise in respect to this trust, or to the indebtedness or to the property herein mentioned, or in obtaining possession of the premises after any sale which may be made as hereinafter provided for.

Now, therefore, this deed of trust witnesseth, that the part hereto of the first part, in consideration of the premises, and of $1 in lawful money, do hereby grant and convey unto the part hereto of the second part in fee simple, the following-described land and premises with the improvements, easements, rights, ways, and appurtenances thereunto belonging, situate in the District of Columbia, namely:

To have and to hold the said-described land and premises unto and to the use of the said part of the second part in fee simple:

In and upon the uses and trusts, hereinafter declared, that is to say:

First: To permit said ——— or assigns, to possess and enjoy said-described premises, and to receive the issues and profits thereof until default be made in the payment of any matter of indebtedness hereby secured as herein provided for.

And upon the full payment of ——— note and of any extensions or renewals thereof, and the interest thereon ——— and all moneys advanced or expended as herein provided, and all other proper costs, charges, commissions, half commissions, and expenses, to release and reconvey in fee unto and at the cost of the said ———.

Second. Upon any default being made in the payment of ——— note or/of any installment of principal or interest thereon, or any renewal or extension thereof, when and as the same shall become due and payable, or, while this trust exists, upon default being made in the payment, when due, of any tax or assessment, general or special, now or hereafter assessed against said premises, or any part thereof, or upon any default in keeping the improvements on said land insured against loss by fire ——— in the name, and to the satisfaction of the part hereto of the second part, or substituted trustee, in such fire-insurance company or companies as the said part of the second part may select, who shall apply whatever may be received therefrom to the payment of the matter hereby secured, whether due or not, unless the party entitled to receive shall waive the right to have the same so applied; or upon any default in payment or demand of any money advanced by the said H. L. Rust Co. as herein provided for, or of any money advanced by the holder or holders of said note on account of any proper cost, charge, commission, or expense in and about the same, or on account of any tax or assessment or insurance, or expense of litigation, with interest thereon at 6 per cent per annum from date of such advance (it being hereby agreed that on default in the payment of any of said costs, expense, tax or assessment, or insurance, or expense of litigation, as aforesaid, the holder or holders of said note may pay same, and all sums so advanced, with interest as aforesaid, shall immediately attach as a lien hereunder, and be payable on demand); then upon any and every such default so made as aforesaid, the said part hereto of the second part, ——— or the trustee acting in the execution of this trust shall have the power and it shall be ——— his duty thereafter to sell, and in case of any default of any purchaser to resell, ——— at public auction, upon such terms and conditions, in such parcels, at such time and place, and after such previous public advertisement as the part of the second part, ———, or the trustee acting in the execution of this trust, shall deem advantageous and proper; and to convey the same in fee simple, upon compliance with the terms of sale, to, and at the cost of, the purchaser or purchasers thereof, who shall not be required to see to the application of the purchase money; and shall apply the proceeds of said sale or sales:

Firstly, to pay all proper costs, charges, and expenses, including all fees and costs herein provided for, and all moneys advanced for interest, costs or expenses, or taxes and assessments, or insurance, or expense of litigation as aforesaid, with interest thereon as aforesaid, and all taxes, general and special, due upon said land and premises at time of sale, and to retain as compensation

a commission of 5 per centum on the gross amount of the said sale or sales; secondly, to pay whatever may then remain unpaid of ———, whether the same shall be due or not, and the interest thereon to date of payment, it being agreed that said note shall, upon such sale being made before the maturity of said note, be and become immediately due and payable, at the election of the holder thereof; and, lastly, to pay the remainder of said proceeds if any, to said ——— or assigns, upon the delivery and surrender to the purchaser, his, her, or their heirs or assigns, of possession of the premises so as aforesaid sold and conveyed, less the expense, if any, of obtaining possession.

And it is hereby covenanted and agreed that if the said property shall be advertised for sale as herein provided and not sold, the trustee or trustees acting shall be entitled to one-half the commission above provided, to be computed on the amount of the debt hereby secured.

And the said part of the first part covenant to warrant specially the property hereby conveyed and to execute such further assurances of said land as may be requisite or necessary.

In witness whereof, the said part of the first part ha hereunto set ——— hand and seal on the day and year first hereinbefore written.

Signed, sealed and delivered in the presence of—

[SEAL.] ----------

[SEAL.] ----------

Mr. WHITEFORD. Did you represent the owner of a first-trust mortgage on a house on Nineteenth Street?

Mr. BRINKMAN. No.

Mr. WHITEFORD. Were you foreclosed?

Mr. BRINKMAN. No.

Mr. WHITEFORD. By the name of Fagan?

Mr. BRINKMAN. No.

Mr. WHITEFORD. 3224 Nineteenth Street?

Mr. BRINKMAN. No.

Mr. WHITEFORD. Did you ever talk to Mr. Sharff about it?

The CHAIRMAN. I do not think we would want a meeting to-morrow or Monday, but the question is as to whether we should have a meeting on Tuesday.

Mr. BRINKMAN. I recall the case Mr. Whiteford mentioned, on Nineteenth Street, and I represented one of the holders of the notes. I did not attempt to foreclose in that case. The other note holders went ahead with the foreclosure, and the property was foreclosed.

Mr. WHITEFORD. In that case you were offered $10 quarterly and all interest and taxes to be paid, and yet they went ahead and foreclosed.

Mr. BRINKMAN. I did not go ahead and foreclose. Other people did. We were trying to prevent a foreclosure. The property has been milked by other people. I made a strenuous effort to prevent it, and I did prevent it for a couple of weeks.

Mr. WHITEFORD. Who else represented the other note holders?

Mr. BRINKMAN. There was a lawyer in the Second Commercial Bank, but they were insistent on going ahead.

Mr. WHITEFORD. Do you know who he was?

Mr. BRINKMAN. They insisted on going ahead with the foreclosure. There was no one living in that house. The title to the house was in a straw party for the builder, Mr. Phillips.

Mr. BOWIE. I want to make some remarks, Senators, that I think might add something to what we have been discussing, in regard to this period of redemption, a very important question that Mr. Whiteford did not develop, and that is the effect that it would have upon

the money available for that purpose. Now, it is a fact that the insurance companies and other large lenders of money in sections where they have what you might term an obnoxious law of that character they will not lend money, and if they will lend it, it is in a very much reduced ratio to sections where the foreclosure law is reasonable. That will drive away money, Senator, from Washington if anything of that kind is attempted, so far as these large institutions are concerned.

The CHAIRMAN. Nevertheless, I think your laws here are very unfair to a large number of borrowers, especially those not in position to protect themselves, and you are out of line with prevailing laws on that subject in almost every State in the Union.

Senator KEAN. Mr. Chairman, I do not think the lenders would object to at least 60 to 90 days.

Mr. WHITEFORD. I do not think so, if you have a provision to take care of the rents by a receiver, so that the owners would not get them in the meantime.

Senator KEAN. I think they could get a receiver in the court to take charge of the property during the time, and I do not believe that it would affect them on a 90-day clause.

Mr. WHITEFORD. I would not object to that.

Mr. BRINKMAN. I drew a bill for your committee for three weeks' grace, and these gentlemen here, the Real Estate Board and the bankers, objected to that.

Mr. WHITEFORD. I do not think there would be any serious objection to the 3-week clause.

Mr. BRINKMAN. There was objection.

Mr. WHITEFORD. I can not imagine that.

Senator KEAN. I am talking of the Prudential. I can not think that any of the large life-insurance companies would object to a reasonable time, because they do not want the property. They want to get out. All they want is their interest and their money, and anything that would enable them to have a fair opportunity—give them a fair chance to pay off their mortgage or interest, these insurance companies would embrace right away. They do not want the taxes, the interest, and all those other things accumulating, so that when they get the property, instead of a loan of 50 or 60 per cent on it, they find they have loaned 90 per cent.

Mr. WHITEFORD. They do not want to lose the income in the meantime. They do not want the owner to milk it.

Mr. BOWIE. I have been told in States where there is a reasonable foreclosure law they will lend up to 60 per cent of the value of the property. If they have a law that is not favorable, the maximum they will lend will be 40 per cent. So, in the final analysis, you hurt the man that is borrowing the money, because he is not free to get as much of a loan on his property as he would be entitled to otherwise if there were an obnoxious feature to the law.

The CHAIRMAN. We will adjourn at this time until 10.30 o'clock Tuesday morning.

(Whereupon, at 12.45 p. m., the hearing was adjourned until Tuesday, December 27, 1932, at 10.30 o'clock a. m.)

RENTS IN THE DISTRICT OF COLUMBIA

TUESDAY, DECEMBER 27, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON THE
DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present, Senators Capper (presiding) and King.

Present, also, O. H. Brinkman, Esq., counsel on behalf of the committee.

Present, also, Roger J. Whiteford, Esq., counsel for the Washington Real Estate Board.

The CHAIRMAN. Mr. Brinkman, you may proceed.

Mr. BRINKMAN. When the committee adjourned at its last meeting, we were discussing the subject of the control of rents by the local agents, and we had put into the record the agreement written into mortgages by the Rust Co., giving that company control where it makes a loan.

On that point I would like to put in the record an agreement exacted by the Thomas J. Fisher Co., a member of the Washington Real Estate Board. It affects property known as the Lombardy Apartments. The clause by which this is done is found in an agreement filed in the offices of the Recorder of Deeds of the District of Columbia, liber 6362, folio 179, reading as follows:

> Thomas J. Fisher Co., agents, are to rent and manage said property. The same is to cease and determine in event of a bona fide sale of said property, and upon payment of 2 per cent commission on the rent for the balance of the term of said first trust.

In other words, if the owner of that property sells it, in the meantime the new owner would be bound to pay some other rental agent, assuming that he had an agent, 5 per cent, and 2 per cent to Fisher Co., even though Fisher Co. was rendering no service. In other words, $7 out of every $100 rent collected would be paid to the rental agents, although one would be performing no service.

Fisher Co., under this agreement, would have the management of the property, though they do not own it.

Now, Senator Kean and some of the other Senators were interested in the matter of the mortgage situation in the District of Columbia, and it might be well to put in the record this letter from the president of the Federation of Citizens' Associations, J. G. Yaden, dated December 2, 1932. Without reading it at length, it comments on

the fact that many people are threatened with the loss of their homes because they have not been able to meet the demands of the mortgage holders, and Mr. Yaden pleads for more leniency in dealing with this matter.

The CHAIRMAN. Does he suggest any legislation?

Mr. BRINKMAN. He says they are considering the matter, but he does not make any suggestion.

(The letter referred to is as follows:)

FEDERATION OF CITIZENS' ASSOCIATIONS
OF THE DISTRICT OF COLUMBIA,
Washington, D. C., December 2, 1932.

Hon. ARTHUR CAPPER,
Chairman Senate District Committee,
United States Senate.

MY DEAR SENATOR CAPPER: Observing in the press that your committee is holding hearings to determine what the housing situation is in the District of Columbia at the present time, I deem it proper to advise you that the committee on public welfare of our federation is now making an investigation on some of those points.

For some time information has been reaching members of our federation to the effect that many persons who bought dwellings when "own your own home" slogans were much in evidence are having difficulty in retaining their homes because of tardiness in paying mortgage interest, followed too often by failure of mortgage holder to propose or sanction some arrangement for refinancing or extending period in which debtor can make payment.

While our investigation has not this moment proceeded to the point where we can file a report with your committee, it is perhaps proper to observe that any harsh treatment of a tenant by his landlord or of a mortgaged debtor by his mortgage holder in these troublous times can not help but produce misery, suffering, and perhaps even crime, aside from being unchristian and unpatriotic.

You will doubtless agree with me that the present is no time for a demonstration of "man's inhumanity to man."

Very sincerely yours,

J. G. YADEN, *President.*

Mr. BRINKMAN. In view of the fact that we have commented on the decrease in the cost of building, it might be well just to put in a definite statement on that point, and the figures I now submit are from the bulletin entitled "Wholesale Prices, September, 1932," issued by the United States Department of Labor, Bureau of Labor Statistics, that shows the index of building-material prices standing at 70½ per cent in September, 1932, as compared with a 100 per cent base in 1926, showing a decline in building-material prices of about 30 per cent since 1926, which also affects the value of practically all apartments built in that period.

There is another bulletin of the Department of Labor that shows building materials constitute about 65 per cent of the cost of an apartment building in various cities. They have made a study of costs. There is very much other information along that line, but it is not necessary to put it in the record.

Now to complete the record with reference to the effect of the combination here, largely the control through the Washington Real Estate Board, it would be well to read the present rules of the Washington Real Estate Board limiting competition in the financing of homes and apartments.

We have already put in the record or made a part of the record the constitution and by-laws, code of ethics, and schedule of commissions of the Washington Real Estate Board, printed in a pamphlet dated October 1, 1931, which the secretary of the organization, Mr. Rush, stated are the present rules of the organization.

On page 30 of this booklet is a schedule, minimum commissions of mortgage loans and for renewals of loans.

On page 29 of the booklet is a schedule of minimum rental commissions and various other commission schedules.

Paragraph 1 of section 3 of the code of the ethics in the booklet, on page 22, contains the following:

> Brokers should maintain the standard rates of commission adopted by the board, and no business should be solicited at lower rates.

The board, as appears from its minutes which are in the record of hearings of this committee, has warned its members that violations of its rules, including commission schedules, is cause for suspension or expelling of members. This is a serious and disastrous penalty, as will be readily recognized by anyone in the real estate or loan business, dependent on the good will or operation of other loan agents, who are members of the board, and of banks and other financial institutions that are members of the board. The power to expel from the board, carries with it the power to ruin the business of members who do not conform to the minimum and obligatory schedules of commissions and to other agreements in restraint of trade, through possible concerted denial of business accommodations by remaining members.

Paragraph 11, of section 5 of the code of ethics, contained on page 24 of the booklet, reads as follows:

> Members shall not solicit property owners by letter or otherwise in connection with maturing loans of an amount less than $25,000 or distribute to them any printed or written matter in reference to making mortgage loans, when other members hold such maturing loans or represent the holders thereof.

That, of course, is a direct and absolute restraint of trade and commerce, in violation of the Federal antitrust laws, and the attempt is to limit competition and place the borrowers at the mercy of the lenders, so there is no competition in the renewal of their loans.

Mr. CHAIRMAN. Have you any information to indicate that they were enforcing that rule and anyone suffered by reason of it?

Mr. BRINKMAN. The records show that they had many discussions. The record already printed shows they held that was obligatory; the members could not violate the rates of commissions set, and they were not to solicit loans held by another broker.

The CHAIRMAN. Have they attempted to bring any member to time, as far as these practices are concerned?

Mr. BRINKMAN. Well, no; apparently they observe the rule, because there is no evidence they had to expel any member, though they had threatened to expel members if they violated these rules. They sent out notice they would be expelled, but evidently they have observed the rules.

However, there is printed in the record evidence to the effect that they called in several members and censored their advertising.

They were told that they could not advertise renewals of loans, or make their loans without commission.

We have here in the committee room the files of the Washington Evening Star for 1927 and 1928, showing that there were several firms intown at that time offering to place mortgage loans either

without commission or without renewal commission, Weaver Bros. and Young & Simon—the records already printed in the hearings of the committee show Weaver Bros. were told to correct their advertising.

The CHAIRMAN. Told by the Real Estate Board?

Mr. BRINKMAN. Yes; they were members of the Real Estate Board.

Mr. WHITEFORD. Young & Simon are not members of the Real Estate Board and never have been. If Mr. Brinkman knew anything about the case, he would know that.

The CHAIRMAN. Weaver Bros. are.

Mr. WHITEFORD. Yes; and Mr. Brinkman knows—if he read the papers, he knows perfectly well that most of these concerns that represent insurance companies refuse to have anything to do with any rate fixed by the board. Randall Hagner's office said so long as the New York Life Insurance Co. fixed the rates, they did not care what the Washington Real Estate Board fixed. That is all in there.

Mr. BRINKMAN. The records do not show that. They show——

Mr. RUSH. They show that Mr. Hagerty was called before the organization.

Pardon the abrupt interruption, but the records show Mr. Hagner was before the organization on that very subject.

Mr. BRINKMAN. They discussed the matter, a vote was taken, and it was agreed they would abide by the minimum commission.

Mr. WHITEFORD. They never have agreed to it. The insurance companies fix the rate of commission that any representative charges, and the Real Estate Board can not fix it.

Mr. BRINKMAN. Here, for instance, is a special notice to active members of the board:

The following resolution was adopted by the Mortgage & Finance Division on December 12, 1929:

"Whereas any advertisement of any member offering to negotiate or make mortgage loans or the renewal thereof for no commission or a commission less than the standard schedule of commission rates for loans adopted by the Washington Real Estate Board, is in the judgment of the Mortgage & Finance Division a violation of the code of ethics subscribed by all members: Now, therefore, be it

"*Resolved*, That the Mortgage & Finance Division requests the executive committee of the Washington Real Estate Board to summons before it any member who shall use any such advertisement and proceed to exercise its authority under Article XII of the by-laws in censuring, suspending, or expelling such member."

At the meeting of the executive committee held January 8 this resolution was presented, and I was instructed to send a copy of it to every member of the board with the statement that the executive committee was ready to perform its duty at any time in connection with the subject matter of the resolution.

Respectfully submitted.

JOHN A. PETTY,
Executive Secretary.

That was a notice to every member of the board that if they did not abide by the standard or minimum schedules, they would be expelled by the board.

Mr. WHITEFORD. Do you know what the truth is?

Mr. BRINKMAN. That is a record of your organization. Is not that the record of your organization? Is that or is not that the record of your organization?

Mr. WHITEFORD. I do not know, and I do not care.

Mr. BRINKMAN. Is it, Mr. Rush?

Mr. WHITEFORD. That is not the truth. If you wanted to get the truth, you could do it.

Mr. BRINKMAN. It is the truth. It is taken from the records of the Real Estate Board.

Mr. WHITEFORD. You do not want the truth about it, anyway, but we are going to put it in.

Mr. BRINKMAN. Now, Mr. Whiteford, you come down here and insult me continuously. I remember we had a coal investigation and you came down here and insulted Senator Neely and Senator Glass, so therefore you can come and insult me all you want.

This is taken from the records of the Washington Real Estate Board.

Mr. WHITEFORD. I am not arguing that.

I think Senator Neely and Senator Glass can take care of themselves; but, if they need your protection, they will hire you.

Mr. BRINKMAN. They do not need me.

Mr. WHITEFORD. Whatever happened between Senator Glass and Senator Neely is my business, and not yours.

Mr. BRINKMAN. I want it in the record that that is from the records of the Real Estate Board.

Mr. WHITEFORD. You talk like some one who has never seen the inside of a court room.

Here is the fact as to what that means, in order that your honor will get it clear. These loans were advertised at 6 per cent, to be made at 6 per cent, without commission. The board knew and everybody that knew anything about real estate—and this man ought to know—the loan was being made by the insurance company at 5½ per cent, and the half per cent commission was in there, although it was being advertised, and that was what the board was trying to stop. On a 5-year loan that would have been 2½ per cent commission on the loan. If he had paid it in the first, he would have had the other two. That is the fact of the thing, if anybody wanted to find it out, but I would not expect that to be done.

Mr. BRINKMAN. Of course they could make loans cheaper under the plan advertised by the Weaver Co., and that is why the board wanted to stop that.

Mr. WHITEFORD. We wanted the public to know they were paying one-half of 1 per cent a year. The advertisement was not accurate.

Mr. BRINKMAN. I have received information that the Prudential Life Insurance Co. in Philadelphia does not make any charge for renewals of mortgage loans. The same thing is true of the Metropolitan Life Insurance Co., through its agents, the First Mortgage Co. of Philadelphia, and of the New York Life Insurance Co., through its agent, the Philadelphia Co. for Guaranteeing Mortgages, Broad and Chestnut Streets, Philadelphia; in other words, there is a renewal charge exacted here that is not exacted elsewhere.

Mr. WHITEFORD. That is where the one-half of 1 per cent comes in. That is exactly where it is, and that is what we object to, and that is what the board objected to and still objects to.

Mr. BRINKMAN. Now, to make the record still more complete, I think we ought to read in the provision of the antitrust law, act of

July 2, 1890, 26 Stat. 209, 15 U. S. Code, sections 1 to 7. Section 3 provides:

SEC. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraining of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is hereby declared illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Any combination in restraint of trade or commerce in the District of Columbia is illegal, and can be punished both by fine and imprisonment.

On the question of whether the acts of the members of the Real Estate Board are restraints of trade, there is a decision of the United States Supreme Court of May 23, 1932, that is exactly in point. It is in the case of the Atlantic Cleaners & Dyers *v.* United States of America.

In that case the Department of Justice brought an action against certain cleaners and dyers, operating in the District of Columbia, who had agreed on certain prices for cleaning and dying, also for renovating clothes. They had agreed, apparently, to allot to one another the retail dyers and cleaners. They divided the restail establishments among themselves, and they fixed certain prices for the service of cleaning and dying.

The case went to the Court of Appeals here; then to the United States Supreme Court, and the United States Supreme Court decided that that was violative of the section of the antitrust law that I have just read, that there was a combination in restraint of trade. I think it might be well to incorporate in the record the opinion of the Supreme Court of the United States.

The CHAIRMAN. All right.

(The opinion of the Supreme Court of the United States is as follows:)

SUPREME COURT OF THE UNITED STATES

Atlantic Cleaners & Dyers (Inc.), Globe Dry Cleaners & Dyers, Arcade-Sunshine Co., et al., appellants *v.* United States of America. (Argued April 28, 1932. Decided May 23, 1932)

Mr. Justice Sutherland delivered the opinion of the court.

"This is a suit brought by the United States against appellants to enjoin them from continuing, in the District of Columbia, an alleged combination and conspiracy in restraint of trade and commerce, in cleaning, dyeing and otherwise renovating clothes, contrary to section 3 of the Sherman Antitrust Act (July 2, 1890), chapter 647, 26 Statutes at Large 209, United States Code, title 15, section 3. Appellants answered, setting up affirmatively that they were engaged solely in the performance of labor and rendering service in cleaning, dyeing, and renovating wearing apparel and other articles which had passed into the hands of the ultimate consumers thereof, and that this did not constitute trade or commerce within the meaning of the antitrust act. Upon motion the answer was stricken from the files, on the ground that the matter pleaded was not a valid defense. Appellants elected to stand upon their answers; and a decree was entered as prayed. The case comes here by appeal under the provisions of the act of February 11, 1903, chapter 544, 32 Statutes at Large 823, United States Code title 15, section 29; Swift & Co. *v.* United States (276 U. S. 311, 322, 72 L. ed. 587, 595, 48 S. Ct. 311); United States *v.* California Co-op. Canneries (279 U. S. 553, 558, 73 L. ed. 838, 842, 49 S. Ct. 423).

"Upon the facts which stand admitted and those affirmatively pleaded by the answers, the sole question to be determined is whether within the meaning of section 3 of the Sherman Act, appellants are engaged in trade or commerce in the District of Columbia.

"The facts, established as above, are that they are carrying on the business of cleaning, dyeing, and renovating wearing apparel at plants located in the District, in part, and in some cases principally, at wholesale pursuant to contracts or engagements with numerous so-called retail dyers and cleaners who maintain shops in the District for receiving from the public clothing to be cleaned, dyed or otherwise renovated. Appellants, in August, 1928, met together in the District and agreed to raise the then current prices charged for cleaning, dyeing, and renovating clothes, and formulated and agreed upon certain minimum and uniform prices, which they, and each of them, should thereafter charge and receive for the performance of such service. They further agreed to assign and allot to one another the retail dyers and cleaners, who, thereupon, were to be held, respectively, as exclusive customers. The agreement to maintain prices and assign and allot customers has been and is being carried into effect.

"Sections 1 and 3 of the Sherman Act provide as follows:

"'SECTION 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. . . .

"'SEC. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia and any State or States or foreign nations, is hereby declared illegal. . . .'

"The words describing the activity declared to be illegal are the same in both sections, namely, 'restraint of trade or commerce.' The contention on behalf of appellants is that the words, being identical, should receive the same construction in section 3 as in the preceding section 1; that section 1 rests solely on the commerce clause of the Constitution; that the words 'trade or commerce' in section 1 can not be broader than the single word 'commerce' as used in that clause; and that commerce does not include a business such as that carried on by appellants.

"Assuming, but not deciding, that if the acts here charged had involved interstate transactions appellants would not come within the provisions of section 1, because the scope of the words 'trade or commerce' must there be limited by the constitutional power to regulate commerce, it does not follow that the same words contained in section 3 should be given a like limited construction. Most words have different shades of meaning and consequently may be variously construed, not only when they occur in different statutes but when used more than once in the same statute or even in the same section. Undoubtedly there is a natural presumption that identical words used in different parts of the same act are intended to have the same meaning. Courtauld *v.* Legh (L. R. 4 Exch. 126, 130). But the presumption is not rigid and readily yields whenever there is such variation in the connection in which the words are used as reasonably to warrant the conclusion that they were employed in different parts of the act with different intent. Where the subject matter to which the words refer is not the same in the several places where they are used, or the conditions are different, or the scope of the legislative power exercised in one case is broader than that exercised in another, the meaning well may vary to meet the purpose of the law, to be arrived at by a consideration of the language in which those purposes are expressed and of the circumstances under which the language was employed. See State *v.* Knowles (90 Md. 646, 654, 49 L. R. A. 695, 45 Atl. 877), Henry *v.* Perry Twp. (48 Ohio St. 671, 676, 30 N. E. 1122), Feder *v.* Goetz (C. C. A. 2d) 264 Fed. 619, 624), James *v.* Newberg (101 Or. 616, 619, 201 Pac. 212, Re County Seat, 15 Kan. 500, 527).

"It is not unusual for the same word to be used with different meanings in the same act, and there is no rule of statutory construction which precludes the courts from giving to the word the meaning which the legislature intended it should have in each instance. Louisville & N. R. Co. *v.* Gaines ((C. C.)

2 Flipp, 621, 3 Fed. 266, 277, 278). Thus, for example, the meaning of the word 'legislature,' used several times in the Federal Constitution, differs according to the connection in which it is employed, depending upon the character of the function which that body in each instance is called upon to exercise. Smiley *v.* Holm (285 U. S. 355, ante. 795, 52 S. Ct. 397), decided April 11, 1932. And, again in the Constitution, the power to regulate commerce is conferred by the same words of the commerce clause with respect both to foreign commerce and interstate commerce. Yet the power when exercised in respect to foreign commerce may be broader than when exercised as to interstate commerce.

"In the regulation of foreign commerce an embargo is admissible; but it reasonably can not be thought that, in respect to legitimate and unobjectionable articles, an embargo would be admissible as a regulation of interstate commerce, since the primary purpose of the clause in respect of the latter was to secure freedom of commercial intercourse among the States. See Grovers *v.* Slaughter (15 Pet. 449, 505, 10 L. ed. 800, 821); Southern S. S. Co. *v.* Portwardens (6 Wall. 31, 32, 33, 18 L. ed. 749, 750); Buttfield *v.* Stranahan (192 U. S. 470, 492, 48 L. ed. 525, 534, 24 S. Ct. 349). Compare Russell Motor Car Co. *v.* United States (261 U. S. 514, 520, 521, 67 L. ed. 778, 782, 783, 43 S. Ct. 428).

"Section 1 having been passed under the specific power to regulate commerce, its meaning necessarily must be limited by the scope of that power; and it may be that the words 'trade' and 'commerce' are there to be regarded as synonymous. On the other hand, section 3, so far as it relates exclusively to the District of Columbia, could not have been passed under the power to regulate interstate or foreign commerce, since that provision of the section deals not with such commerce but with restraint of trade purely local in character. The power exercised, and which gives vitality to the provision, is the plenary power to legislate for the District of Columbia, conferred by Article I, section 8, clause 17 of the Constitution. Under that clause, Congress possesses not only every appropriate national power, but, in addition, all the powers of legislation which may be exercised by a State in dealing with its affairs, so long as other provisions of the Constitution are not infringed. Capital Traction Co. *v.* Hof (174 U. S. 1, 5, 43 L. ed. 873, 874, 19 S. Ct. 580). Undoubtedly, under that extensive power, it was within the competency of Congress to prohibit and penalize the acts with which appellants are here charged; and the only question is whether by section 3 it has done so.

"A consideration of the history of the period immediately preceding and accompanying the passage of the Sherman Act and of the mischief to be remedied, as well as the general trend of debate in both houses, sanctions the conclusion that Congress meant to deal comprehensively and effectively with the evils resulting from contracts, combinations and conspiracies in restraint of trade, and to that end to exercise all the power it possessed. In passing section 1, Congress could exercise only the power conferred by the commerce clause; but in passing section 3, it had unlimited power, except as restricted by other provisions of the Constitution. We are, therefore, free to interpret section 3 dissociated from section 1 as though it were a separate and independent act, and thus viewed, there is no rule of statutory construction which prevents our giving to the word 'trade' its full meaning, or the more extended of two meanings, whichever will best manifest the legislative purpose. See United States *v.* Hartwell (6 Wall. 385, 396, 18 L. ed. 830, 832); Sacramento Nav. Co. *v.* Salz (273 U. S. 326, 329, 330, 71 L. ed. 663, 665, 666, 47 S. Ct. 368).

"We perceive no reason for holding that Congress used the phrase 'restraint of trade' in section 3 in a narrow sense. It is true that the word 'trade' is often employed as imparting only traffic in the buying, selling, or exchanging of commodities; but it is also true that frequently, if not generally, the word is used in a broader sense. This is pointed out in the Nymph ((C. C.) 1 Sumn. 516–518, Fed. Cas. No. 10,388). Construing section 32 of the coasting and fishery act of (February 18) 1793 (Chap. 8, 1 Stat. L. 305, 316, U. S. C., title 46, sec. 325), which declares that any licensed ship, etc., which shall be employed in any other 'trade' than that for which she is licensed shall be forfeited, Mr. Justice Story in that case said:

"'The argument for the claimant insists that "trade" is here used in its most restrictive sense, and as equivalent to traffic in goods, or buying and selling in commerce or exchange. But I am clearly of opinion that such is not the true sense of the word as used in section 32. In the first place, the word "trade" is often and, indeed, generally used in a broader sense, as equivalent to occupation, employment, or business, whether manual or mercantile. Wherever any occupation, employment, or business is carried on for the purpose of profit, or gain, or a livelihood, not in the liberal arts or in the learned professions, it is constantly called a trade. Thus we constantly speak of the art, mysery, or trade of a housewright, a shipwright, a tailor, a blacksmith, and a shoemaker, though some of these may be, and sometimes are, carried on without buying or selling goods.'

"A like view was taken by Pollock, N., in Chartered Mercantile Bank *v.* Wilson (L. R. 3 Exch. Div. 108, 119, 120). See also Buckelew *v.* Martens (— N. J. —, 156 Atl. 436); American Laundry Co. *v.* E. & W. Dry Cleaning Co. (199 A la. 154, 74 So. 58); Campbell *v.* Motion Picture Machine Operators' Union (151 Minn. 220, 231, 232, 27 A. L. R. 631, 186 N. W. 781).

"We think the word 'trade' was used in section 3 of the Sherman Act in the general sense attributed to it by Justice Story and, at least, is broad enough to include the acts of which the Government complains.

"Decree affirmed."

Mr. BRINKMAN. The question involved was whether a service performed came within the meaning of "trade" or "commerce," that is, whether it was necessary to sell something to be "trade," to sell, for instance, coal or clothing, and the court held that was not true in the District of Columbia, that the mere rendering of the service was engaging in trade, and any combination in restraint of the rendering of a service was a violation of the law.

Therefore, these men and firms in the District who have restrained the trade in making mortgages and lending money on mortgages, are engaged in a business that comes within the meaning of the antitrust law. They are amenable to the law and should be prosecuted.

I think it might be well also to put in the record a list of the members of the Washington Real Estate Board, because it shows there are not only real estate men who are members of that organization, in the combination that fixes the rates here, but there are banks and title companies, also building and loan associations—for instance we have the American Security and Trust Co., one of the largest banks in town, as a member; the District National Bank; the Federal American National Bank; the International Bank; the Liberty National Bank; the Lincoln National Bank; the McLachlen Trust Co.; the Munsey Trust Co.; the National Metropolitan Bank; the Perpetual Building Association; and the Washington Loan and Trust Co.

(The list of members of the Washington Real Estate Board is as follows:)

MEMBERS OF WASHINGTON REAL ESTATE BOARD

Acacia Mutual Life Insurance Co.
American Security & Trust Co.
Bangs, H. Clifford.
Berry, J. McKenney.
Boss & Phelps.
Bradley, Beal & Howard (Inc.).
Breuninger & Sons, L. E.
Briggs Co., Edison W.
Brodie & Colbert (Inc.).
Brown, Norman C.
Brown, Walter A.
Buchanan, Inc., J. Wesley.
Cafritz Co., Inc.
Callanan, William J.
Carr, Arthur.
Carry Properties, Albert.
Carter, Henry H.
Caywood Bros. & Garrett (Inc.).
Cummings & Co., R. B.
Davidson & Davidson.
Davis Co., Floyd E.
District National Bank.
Donnelly & Plant (Inc.).
Donnelly & Plant, Inc.
District, Lawyers & Washington Title Insurance Cos.
Donohoe & Sons, John F.
Douglass Co., J. E.
Doyle, Frank M.
Dunigan, Inc., D. J.
Ellis, William R.
Federal American National Bank & Trust Co.
Fisher & Co., Inc., Thos. J.

Fowler, J. Edward
Gardiner, A. S.
Glover & Flather
Grady, J. Dallas
Graham & Ogden
Gravette, L. T.
Grooms, L. W.
Gruver, B. H.
Hagner Co., Randall H.
Hampton, Thos. E.
Hane, George F.
Harlan, Miss Laura
Heater, Robert E.
Herbert & Sons, Joseph A.
Heurich, jr., Realty Co., C.
Hoge, jr., Wm. S.
Hoover, Reeve
Hooker, R. M.
Houghton & Co., A. C.
Howenstein Bros.
Humphries, R. A.
International Bank
Jarrell Co., Thos. E.
Jawish, Henry K.
Judd, Theodore M.
Kenyon, Miss Frieda
King, A. A.
Kolb, J. Leo
Latimer Land Co., R. E.
Liberty National Bank
Lincoln National Bank
Linkins Co., Geo. W.
McInerney, Martin
McKeever Co., J. A.
McLachlen Banking Corp.
Maury, John F.
Mayo & Gilliat
Metzler, Cuvier A.
Middleton, F. Eliot
Miller, W. C. & A. N.
Mohler, J. Rupert.
Morsell, H. Tudor.
Munsey Trust Co.
National Metropolitan Bank.
National Mortgage & Investment Corporation.
Newbold. Alfred T.
New York Title & Mortgage Co.
Norment. Smith & Fuller Co.
Normoyle, William P.
North Washington Realty Co.
Owen & Son, Thos. J.
Parker Co., C. H.
Perpetual Building Association.
Phillips & Canby, Inc.
Rawlings, Jesse W.
Real Estate & Columbia Title Insurance Cos.
Riker Realty Co.
Rosinski, Carl G.
Realty Associates.
Russell Co., Percy H.
Rust Co., H. L.
Sager, Charles D.
Sandoz, Inc.
Saul Co., B. F.
Saunders Co., Inc., Wm. H.
Schwab, James E.
Schwartz (Inc.), Edward P.
Scrivener & Bro., John.
Shannon & Luchs (Inc.).
Shea, James F.
Shea, James McDonald.
Shoemaker, Louis P.
Simms, Terry B.
Simpson & Co. (Inc.), C. W.
Smith (Inc.), E. Quincy.
Smithy Co., H. G.
Stamp & Co., R. Marbury.
Stone & Fairfax.
Story & Co.
Sullivan Bros.
Taylor (Inc.), Waverly.
Thornton, H. L.
Tompkins Co., Charles H.
Turner, Lloyd R.
Valk, Lansing.
Waggaman & Brawner (Inc.).
Walker & Co. (Inc.), Allan E.
Walker, Curtis.
Walker, William H.
Walshe (Inc.), P. J.
Waple & James (Inc.).
Washington Loan & Trust Co.
Weaver Bros (Inc.),
Weedon & Co. (Inc.), J. C.
Weller, Joseph I.
Westcott & Co., Horace H.
Whiteford, Guy S.
Wise, Joseph M.
Woodward, James Morris.
Worthington & Son, George Y.
Zantsinger Co., O. B.

The CHAIRMAN. What kind of an agreement have they entered into?

Mr. BRINKMAN. As members of the board they are susceptible to all the rules, and those rules included minimum commissions and minimum charges for renting apartments, and agreements not to solicit mortgage borrowers for the renewal of their loans.

I think that concludes that part of the testimony, and we might go on to the subject of the returns made by some of these properties.

However, there is one more point; it might be well to put in the record the correspondence of this committee with the Attorney General of the United States on the subject of a combination here.

This committee, on June 2, 1932, adopted a resolution asking the Attorney General to investigate, and the Attorney General replied on June 8, 1932, stating that the matter would have the attention of the department, and the committee would be informed, in due course, of the conclusion of the department. Then there is a letter of June 13 from Mr. John Lord O'Brian, the assistant to the Attorney General, saying that the department is now projecting an investigation of this subject, which will be instituted without delay. In accordance with the request of the committee, the department did begin an investigation, but when this committee began its own investigation, the department discontinued its efforts, and has since made no further investigation.

The resolution and letters referred to are as follows:

IN THE COMMITTEE ON THE DISTRICT OF COLUMBIA, JUNE 2, 1932

Mr. Copeland offered the following resolution:

"Whereas, It has been brought to the attention of the committee that a combine between property owners and agents exists, the effect of which is to maintain an exhorbitant charge for living quarters in the District of Columbia, Therefore be it

Resolved by the Committee on the District of Columbia of the United States Senate:

First. That the chairman be instructed to bring this charge to the attention of the Department of Justice;

Second. That it is the sense of the committee that rental properties, apartments, and hotels are affected with a public interest. This policy was formulated into law in 1919 and it may well be that the prevailing economic conditions justify a revival of the Rent Commission;

Third. That the chairman is directed to present the views of the committee to the District of Columbia public and, if need be, to have formulated such legislation as will effectively overcome the evil of overcharges, should they be shown to exist.

Adopted by the committee, June 2, 1932.

A true copy.

JAMES RING, *Assistant Clerk.*

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., June 8, 1932.

Hon. ARTHUR CAPPER,
United States Senate, Washington, D. C.

MY DEAR SENATOR: I have your letter of the 4th instant, inclosing a copy of a resolution adopted on the 2nd instant by the Senate Committee on the District of Columbia, directing you as chairman of the committee to bring to the attention of this department the charges made by District residents that "a combine between property owners and agents exists, the effect of which is to maintain an exhorbitant charge for living quarters in the District of Columbia."

You are advised that the matter will be given attention in the department and you will be informed in due course of our conclusion.

Respectfully,

WILLIAM MITCHELL, *Attorney General.*

DEPARTMENT OF JUSTICE,
OFFICE OF THE ASSISTANT TO THE ATTORNEY GENERAL.
Washington, June 13, 1932.

Hon. ARTHUR CAPPER,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Your letter of the 4th instant, forwarding a resolution of the Senate Committee on the District of Columbia calling attention to high rental charges obtaining in this city and requesting that an inquiry be made to

ascertain the facts relative to an alleged combination to increase and maintain rentals, has been received.

This department is now projecting an investigation of this subject, which will be instituted without any delay.

Yours very truly,

JOHN LORD O'BRIAN,
The Assistant to the Attorney General.

Mr. BRINKMAN. I may say there are in the files of the committee certain letters—I have not inserted the letters because the committee indicated before it was not necessary to insert a great many of the letters from people who have had difficulty in renewing their mortgages—showing the writers have lost their homes in some cases. They have stated they were asked for curtails and have been unable to meet the higher interest rates. If the committee desires, those letters can go in the the record, but the record already shows that the Home Loan Bank Board here has received, I think, something like 200 complaints about the condition here with respect to renewal of mortgages, showing the condition of hardship in the District of Columbia, where people are unable to renew their mortgages and are losing their homes.

Mr. RUSH. Which is a national situation.

Mr. BRINKMAN. I would like to incorporate in the record at this point, so it may be complete on some of the other points we have covered, a letter from Rufus Lusk, who represented the real-estate board before this committee, dated December 7, 1932, showing that if all apartments were rented in the buildings for which he submitted figures, the rate of return would be 6.8 per cent for 1931 and 6.3 per cent for 1932.

That has already been covered by testimony, but it would be well to have the letter in.

(The letter of December 7, 1932, is as follows:)

RUFUS S. LUSK (INC.),
Washington, D. C., December 7, 1932.

Mr. OSCAR H. BRINKMAN,
Washington, D. C.

DEAR MR. BRINKMAN: In answer to your question concerning what the net return would be on the apartments for which we had maintenance costs, as outlined in my testimony before the Senate committee on Friday, December 2, provided all units in all apartments were rented, permit me to advise you that it would be 6.8 per cent for 1931 and 6.3 per cent for 1932.

Very truly yours,

RUFUS S. LUSK.

Mr. BRINKMAN. Also the statement received from the H. L. Rust Co., sent to me in response to a questionnaire, covering the Clifton Terrace Apartments, at Fourteenth and Clifton Streets, showing that the last sale and foreclosure price was $750,000 in 1931 and that the schedule of rents in October, 1932, was $189,972.

We have already had evidence from Mr. Bowie that that property is almost fully rented. I think his statement was there were only five vacancies, and they are realizing almost $190,000 in rents on an annual basis. They show the last sale at $750,000.

Mr. Bowie also stated that the figures which show that about one-half of the gross rents of apartment property are taken for expense are correct when the properties are fully rented. Therefore, there

is about $90,000 net return on that basis from this property, on a price shown by his own statement to be $750,000, making a return of somewhere around 12 or 13 per cent for that property.

Mr. BOWIE. Why do you not tell the truth?

Mr. BRINKMAN. I do not propose to answer any question put to me in that way. First, in your statement——

Mr. BOWIE. Mr. Chairman, I stated to this committee on two occasions that in addition to the $750,000 there was another $100,000 invested in that property. I also called the committee's attention——

The CHAIRMAN. What was the nature of that investment?

Mr. BOWIE. A subordinated portion of a first trust.

Mr. BRINKMAN. Let me question you on that.

Mr. BOWIE. You say you do not want to answer any questions. I want to explain to the chairman of the committee what the truth of the situation is.

Our report shows the owners of that property received 3 per cent net return during the time they owned it. This is the second or third time that Mr. Brinkman has come here trying to mislead you by making statements that are not true.

Mr. BRINKMAN. Let us get into this question. I am glad to get into it.

Who has the title to Clifton Terrace?

Mr. BOWIE. The New York Life Insurance Co.

Mr. BRINKMAN. You are testifying under oath.

Mr. BOWIE. Yes; I am and you are not.

Mr. BRINKMAN. The New York Life Insurance Co. holds the title. What did they buy the property for?

Mr. BOWIE. You have stated $750,000, which is correct.

Mr. BRINKMAN. Which is correct?

Mr. BOWIE. Yes.

Mr. BRINKMAN. Then the income from that property on the basis of the rents you are charging now is $189,972 a year?

Mr. BOWIE. Whatever our report shows.

Mr. BRINKMAN. And you have previously testified that about half of the gross rents are applicable to operating expenses.

Mr. BOWIE. We went into that thoroughly, Mr. Chairman. Mr. Brinkman's own witness stated that it cost 50 per cent of the gross.

Mr. BRINKMAN. You confirmed that, did you not?

Mr. BOWIE. I have confirmed it time and time again.

Mr. BRINKMAN. Ordinarily there would be $90,000 of that amount applicable to the $750,000 as a return on that.

Mr. BOWIE. Why should we talk about theories and ask a question when we have got the exact figures, and you have got them right before you?

Mr. BRINKMAN. These are your own figures. Now, Mr. Bowie, you say there was $100,000 additional. Who holds that $100,000, and in what form is it held?

Mr. BOWIE. In a subordinated note. Do you know what that is?

Mr. BRINKMAN. Yes; and I want to develop for the record what it is.

You made a loan on this property for the New York Life Insurance Co. of how much?

Mr. BOWIE. The loan was not made by us.

Mr. BRINKMAN. Who made the loan?

Mr. BOWIE. The loan was a deferred purchase money loan.
Mr. BRINKMAN. Made by whom?
Mr. BOWIE. Harry Wardman.
Mr. BRINKMAN. Who loaned the money?
Mr. BOWIE. Made by Harry Wardman. Nobody loaned him the money.
Mr. BRINKMAN. For how much?
Mr. BOWIE. $850,000.
Mr. BRINKMAN. How did the New York Life Insurance Co. become interested?
Mr. BOWIE. They bought it.
Mr. BRINKMAN. The loan?
Mr. BOWIE. Yes.
Mr. BRINKMAN. How much?
Mr. BOWIE. They bought $750,000 of it.
Mr. BRINKMAN. So that there is outstanding $100,000?
Mr. BOWIE. Just exactly what I have been trying to make you see ever since we have had these hearings.
Mr. BRINKMAN. Just go ahead and explain it. Who holds the $100,000.
Mr. BOWIE. I told you the other day who held it.
Mr. BRINKMAN. Who holds it?
Mr. BOWIE. H. L. Rust Co. is responsible for it.
Mr. BRINKMAN. How is it secured?
Mr. BOWIE. It is not secured.
Mr. BRINKMAN. It constitutes unsecured notes outstanding, $100,000?
Mr. BOWIE. It is secured by the word of H. L. Rust Co.
Mr. BRINKMAN. Did you indorse the note?
Mr. BOWIE. We did not.
Mr. BRINKMAN. In other words, when this foreclosure was made, did it wipe out that $100,000?
Mr. BOWIE. It did.
Mr. BOWIE. It did.
Mr. BRINKMAN. It did?
Mr. BOWIE. Yes.
Mr. BRINKMAN. So, these people that hold that are without any protection now?
Mr. BOWIE. They have no security under that trust; no, of course not.
Mr. BRINKMAN. When they bought those notes were they marked "subordinated trust"?
Mr. BOWIE. They were.
Mr. BRINKMAN. Do you have any of them?
Mr. BOWIE. No.
Mr. BRINKMAN. You have not any that you can display to the committee?
Mr. BOWIE. Not this morning; no.
Mr. BRINKMAN. Will you bring one of them to the committee?
Mr. BOWIE. I do not know whether I will or not. I will do so if the chairman wants it.
Mr. BRINKMAN. I think we ought to have them, because there have been sales of notes in the District that did not indicate on their face that they were in reality deferred or subordinated notes. They were sold as first trust notes, and in reality they were second trust notes, because the first security under the deed of trust was a large amount, $750,000, and then there was $100,000 subordinated; in other words, if the property were sold, the first payment had to be of the superior notes, and then if there was anything left it was applied on these subordinated notes, and it has been, in my opinion, a fraudulent way of doing business. People have bought these securities thinking they were buying first mortgage securities, when in reality they were buying second mortgages. The real estate board itself commented on that and tried to take some action on it. I would like to see one of those notes.

Mr. BOWIE. Again, Mr. Chairman, Mr. Brinkman infers I am lying.
Mr. BRINKMAN. Oh, no; I did not. I asked you to bring down a note.
Mr. BOWIE. You asked the question if that was indicated on the note, and I told you "Yes."
Mr. BRINKMAN. I would like to see the note.
Mr. BOWIE. Inferring that I am not telling the truth.
Mr. BRINKMAN. No; I would like to see if it is large or small type, and it may indicate to you it is a subordinate note, but it may not indicate that to others.
Mr. BOWIE. If the chairman would like to see one, I will get one.
The CHAIRMAN. I think to make the record complete we ought to have it.
Mr. BOWIE. I do not want him to have anything to do with it. He will distort anything I bring here. He has done it and is doing it now.
The CHAIRMAN. I think it will be better all around if you produce the record, Mr. Bowie.
Mr. BRINKMAN. Another abuse that took place in connection with notes was the selling of mortgage notes on leaseholds—that is, property which was leased for a long period of years—and then they would issue mortgages against the leasehold. For instance, in the case of the Hay-Adams House and La Salle Apartments. The result is when the property was not occupied profitably there was a foreclosure to protect the owner of the property—that is, the owner of the mortgage on the property—and those who held the leasehold notes were wiped out.
Mr. WHITEFORD. Did you ever hear of that being done in New York?
Mr. BRINKMAN. Yes.
Mr. WHITEFORD. It is done in Chicago, Cleveland, and everywhere.
Mr. BRINKMAN. And there have been millions of dollars of losses in transactions of that kind, just because they do it through these securities that really are not securities at all.
Mr. WHITEFORD. A lease is perfectly good security.
Mr. RUSH. It has been upheld by the courts.
Mr. WHITEFORD. Of course.
Mr. BRINKMAN. On the question of what some of these properties return to the owners, I have here the statement of the Melwood, 1803 Biltmore Street NW., Washington, D. C., showing the return

for 1931 of 6.9 per cent. That is practically a 7 per cent return. That is a statement submitted by T. F. Schneider Corporation.

They base that return on the assessment of $365,000 for the improvement.

That is an assessment of 48 cents a cubic foot. The fact is that all the testimony we have had showed that there is no such cost of building an apartment building now.

The assessor testified the cost is somewhere between 32 and 35 cents. So that if you reduce the cost of that building to the present cost of the building you get a return of 8½ per cent. That return of 7 per cent also is based on operating expenses of 57 per cent, whereas probably the correct operating expense is 50 per cent. So that it indicates the returns are higher than shown by these statements submitted to the Real Estate Board.

This was in reply to a questionnaire of the Real Estate Board.

Mr. BOWIE. Mr. Brinkman——

Mr. BRINKMAN. I prefer to go ahead and finish this up.

Then we have Randall Hagner submitting answers to questionnaires of the Washington Real Estate Board, of which they finally furnished me copies.

We have the apartment at 1303 Randolph Street NW., a 21-apartment building, showing a net return on the assessed value in 1931 of 9.9 per cent, practically 10 per cent, after deducting depreciation of $1,500 and all other operating expenses, including taxes.

Then we have the Ashton, a 28-apartment building, 1436 R Street, with a return in 1931 of 9.4 per cent, after deducting all operating expenses, including $1,300 depreciation.

Then we have the McReynolds, Eighteenth and G Streets NW., which, in spite of vacancies of nearly 18 per cent—it is a very large apartment, 240 units in that apartment building—showed a return in 1931 of 8.2 per cent, according to Randall Hagner's own statement, and that was based on a building cost or assessment of 47 cents a cubic foot.

There was a deduction of $18,750 for depreciation, and, in spite of that deduction and miscellaneous deductions of over $12,000, nevertheless the agents show a return of 8.2 per cent. If the building were figured at a building cost of 35 cents a cubic foot, which is probably the present cost, it would show a return of 10.5 per cent, even after allowing that huge depreciation.

The CHAIRMAN. Are these reports included in the survey made by Mr. Lusk?

Mr. BRINKMAN. Yes, they are.

Then we have Alban Towers, 3700 Massachusetts Avenue, a large building with 218 apartments, which in spite of a vacancy of nearly 15 per cent and a deduction of $31,702 for depreciation, $3,700 for miscellaneous expenses, showed a return of 6.8 per cent for 1932, or nearly 7 per cent.

Mr. LUSK. He is giving returns for 1931 in most cases, where the vacancy was 7 or 8 per cent.

Mr. BRINKMAN. I have mentioned the vacancies.

Mr. LUSK. The vacancies you gave us for 1932 and the other figures for 1931.

Mr. BRINKMAN. Let us just be right about that. For instance, the McReynolds, where there is 18 per cent vacancy, the return for 1932, eight months, is 7 per cent.

Mr. LUSK. You said 8.2 per cent and you gave a vacancy for 1932.

Mr. BRINKMAN. All right; let us see. The schedule of rents at the end of 1931 as shown by this statement, was $157,000. The rents actually collected during 1931 were $128,000, showing a vacancy of about 18 per cent during 1931.

Now, getting back to the Alban Towers, which shows this return of more than 7 per cent, the building cost is shown as 40 cents per cubic foot, whereas we have shown the building will cost, probably, now, not over 35 cents, and, of course, that——

Mr. WHITEMAN. Who put the building cost at 40 cents?

Mr. BRINKMAN. The assessment is on the basis of 40 cents.

Mr. WHITEFORD. You said building cost.

Mr. BRINKMAN. We are talking now about assessed values.

Mr. WHITEFORD. You called the building cost 40 cents, so that is not accurate. You meant the assessment.

Mr. BRINKMAN. The assessment is on the basis of 40 cents.

Now, then, there is an interesting thing in this statement for Alban Towers. They had deductions as part of the operating expenses, "Miscellaneous, $37,684.15."

In that deduction for operating expenses is $2,401 for the expense of a new loan, $11,462 for bonus for paying off an old loan, and then one-tenth comes for new loan for 10 years of $2,400. Evidently they paid $24,000 as commission for securing a new 10-year loan.

The CHAIRMAN. What was the amount of the loan?

Mr. BRINKMAN. The amount is not shown.

Mr. WHITEFORD. It is a New York Life loan.

Mr. BRINKMAN. They paid $24,000 for securing a new loan on that property, as a commission. They paid $11,462 for a bonus for paying off the old loan, and expense of the new loan, $2,401.80, so in that one year they have charged against that building $16,263 for financing expense.

The CHAIRMAN. What was the per cent of the total income?

Mr. BRINKMAN. That would be about 8 per cent.

Now, then, we have the statement submitted by Randall Hagner for the Shelbourne Apartments at 1631 S Street, a 63-unit apartment. It shows a return for 1931 on the assessed value of 7.48 per cent; that is practically 7½ per cent.

Mr. LUSK. On the McReynolds, Mr. Brinkman, what do you have taxes in Mr. Hagner's statement?

Mr. BRINKMAN. Those taxes have been deducted as part of the operating expenses.

Mr. LUSK. What do you have them down for?

Mr. BRINKMAN. I will tell you in a minute, if you will give me time.

Mr. LUSK. You do not mind?

Mr. BRINKMAN. No; not a bit.

The taxes shown are $1,472.27.

Mr. LUSK. They made a mistake on that. It is $14,722. They made a mistake on it in 1932. They have taxes $981. They have

the decimal point in the wrong place. After correcting that the returns are 6.7 and 5.5.

Mr. BRINKMAN. That shows the unreliability of the figures furnished.

Mr. WHITEFORD. Do you ever make a mistake in adding figures?

Mr. BRINKMAN. Not when I am going to submit them.

Mr. LUSK. Every one of Hagner's figures has the decimal point in the wrong place.

Mr. BRINKMAN. I do not doubt all their figures are unreliable. They have submitted figures showing low rates, and I do not doubt they are equally unreliable. It confirms what I have said, that these figures are unreliable, because they have been made up by the real-estate men themselves.

Mr. WHITEFORD. It confirms the fact that there is only one person infallable, and that is Mr. Brinkman.

Mr. BRINKMAN. Randall Hagner submits a statement for 1613 New Hampshire Avenue, showing a return in 1931 on the assessed value of 6.71 per cent, or a little over 6⅔ per cent on that building. They have charged in miscellaneous expenses of $3,826.52. They have also deducted $5,000 depreciation.

When you examine the deduction for miscellaneous expense, you find that they have charged in for decorating $2,685.20, for decorating that apartment, and for the following year, for eight months, only $170 for decorating. So, it is evident they have made a large charge for 1931 for decorating, which probably was not repeated in 1932. However, if it was, I would be glad to receive information on that.

There is an interesting statement submitted by the Distric National Securities Co. for the Royal Arms Apartment, at 3121 Sixteenth Street.

The assessed value of that property is $210,000. They show mortgages on the property of $261,000.

The CHAIRMAN. How much is the assessed value?

Mr. BRINKMAN. $210,000. The mortgages amount to $51,000 more than the assessed value.

Here is an apartment that shows a low rate of return, submitted by Randall Hagner, and it is included in the figures submitted by the Real Estate Board. It is the apartment known as The Altamont, on Wyoming Avenue, showing a rate of return of only 3.2 per cent. However, although their rent schedule for 1931, or, in effect, January 1, 1932, was nearly $59,000—$58,800—they actually took in only $46,000, so they were $12,000 short of taking in what they charge in the way of rent according to their rent schedule.

It shows there were vacant October 1, 10 apartments out of 58 apartments. I think that largely accounts for the lower return on many of these apartments, the large vacancies that exist in many of them, because people can not or will not pay those scales of rent any more.

They have shown miscellaneous expenses of $6,278. Included in those expenses is $2,300.06 for rental commission; in other words, a large sum is being paid to the rental agents, even though the apartment is unprofitable.

They have deducted depreciation of $7,237.

Here is the Que Gardens, submitted by Randall Hagner, containing 133 apartments, and on October 1, 1932, there were 50 vacancies. It shows a net return for 1931 of only 3.5 per cent, but they have deducted $13,750 for depreciation, and they have deducted agents' commissions of $3,662.

Mr. WHITEFORD. Do you not expect an agent to get paid?

Mr. BRINKMAN. I do not see that they are rendering much service in some cases. That is an apartment with 50 vacancies. I think I would fire the agent in that case.

Mr. WHITEFORD. And it still costs to collect rent.

Mr. BRINKMAN. Not 5 per cent. I think Mr. Randall Hagner himself handled some apartments at 3 per cent before the board put in its rule requiring 5 per cent to be paid.

Mr. WHITEFORD. When the gross rent is $100,000 the rate is 3 per cent.

Mr. BRINKMAN. Now, then, we have another apartment. This is a small apartment, 21 apartments in this unit at 1665 Lamont Street, and as shown by Randall Hagner Co.'s return, there were 40 per cent of those apartments vacant on October 1, 1932.

They show a return for 1931 of only 4.6 per cent, not quite 5 per cent. They have deducted depreciation and miscellaneous expenses and other operating expenses.

Here is a statement submitted by the Fidelity Storage Co. for a small apartment property, 2750 Fourteenth Street NW., showing a return of about 10 per cent for the year 1931.

Then there is one for the Monmouth Hotel, at 1819 G Street, 110 apartments, owned by the Fidelity Storage Co. They show a return for 1931 of more than 9 per cent, after deducting $7,000 depreciation, $7,300 miscellaneous expenses, and all other expense, including taxes, even though there were considerable vacancies there.

So we could undoubtedly, as shown by Mr. Lusk's statement, show many apartments in the city returned 9 to 12 or even higher percentages on the assessed value, and the assessed value is admittedly more than the cost or reproducing the properties now, because of the decline in building costs.

One reason for the fact that there have been a great many foreclosures is that these apartments, many of them, are mortgaged for far more than their real value.

Mr. Bowie has testified that the Clifton Terrace Apartments, about which we have had some discussion, was mortgaged for practically $2,000,000, although he has had the assessment reduced to about $1,000,000.

Mr. BOWIE. You said I said "it is mortgaged"?

Mr. BRINKMAN. That it was mortgaged.

Mr. BOWIE. Why did you not say "was" instead of "is"?

Mr. BRINKMAN. I did.

Mr. Reporter, what did I say?

The REPORTER (reading). "Was."

Mr. BRINKMAN. It has been foreclosed, and is now probably on a profitable basis.

I think I have attempted to demonstrate it is earning from 12 to 13 per cent a year.

I would like to put in the record a statement of some of the apartment house incumbrances and assessments, to show that one difficulty

of the apartment situation in the city is they are mortgaged for more than the assessment, far more.

For instance, we have here the Shawmut, 2200 Nineteenth Street NW., mortgaged for $330,000. In 1932 the assessment was $312,000. The mortgages were $18,000 more than the assessment.

Then we have the Chalfont, 1601 Argonne Place——

Mr. CHAIRMAN. Mr. Bowie, how do they get by with that? How can they borrow more money than the assessed valuation will justify?

Mr. BOWIE. I can explain it to you, Senator. Take the Clifton Terrace case: That all happened years ago. It had on it at one time mortgages in excess of $2,000,000. It was foreclosed under this New York Life mortgage. The people who had to do with this illegitimate financing, if you might call it such, were connected with a bank in Frederick, Md. Those securities were doubtless sold for 50 or 25 per cent on the dollar. The man at the head of that has been tried and convicted. Those are the sort of things that were done in the past. They are not possible to-day.

The CHAIRMAN. The only way the tenants can be protected, so far as rentals are concerned, is for liquidation; that is, for a sale under foreclosure that will wipe out——

Mr. BOWIE (interposing). That is what happened, Senator, and I do not know of one single case now that is left remaining of that character.

The CHAIRMAN. You think now there has been a general movement along that line?

Mr. BOWIE. I think they have all been washed out by foreclosure.

Mr. BRINKMAN. In the case of the Clifton Terrace we do not find any great reduction where they have been washed out. The rents still charged by the people who washed out the owners are equal to 12 or 13 per cent on the investment. In other words, they have not reduced their rentals in conformity with their low purchase price at the foreclosure sale.

Mr. WHITEFORD. There is not any reason to do that, and we do not admit it ought to be done, and do not propose to do it. You should not fix the rent on the basis of the first trust on a building. There is no economic reason for you to do that, and no just reason. The rents should be fixed on a fair rate of return on the fair value of the property. If you fix the rate of return loan investment in the first trust, then you ought to fix it on a high one. If the trusts have anything to do with it, our principle is all wrong.

The CHAIRMAN. The amount of money the last owner actually has in the property ought to be a consideration, I should think.

Mr. WHITEFORD. No, sir. Suppose I had a building that did not cost me anything. Suppose I had a building that I had no investment in at all, and you had one that you paid money for. Should there be any difference between your rent and mine?

The CHAIRMAN. That is hardly a fair question.

Mr. WHITEFORD. Because, for this reason, Senator, the investment, you certainly can not call that the mortgage investment as the basis for the value of the property or the rental return.

The CHAIRMAN. Originally the investment was way out—the amount of money supposed to be invested was way out of reason.

Mr. WHITEFORD. Yes, you certainly would not want to set the rents on that basis.

The CHAIRMAN. No, but when you get it down to a reasonable basis, I should think the tenant is entitled to have that taken into consideration.

Mr. WHITEFORD. Suppose the first trust had been $500,000 instead of $750,000 or $850,000. Would you reduce the rent proportionately? There are many buildings with small trusts. If they should get in trouble and be foreclosed, the one standard that will work all the time is the fair value of the property. That works all the time, no matter what the investment is, no matter what the mortgages may be, but you can not fix rents on the basis of what somebody happens to buy it for.

Mr. BRINKMAN. What is that fair value?

Mr. WHITEFORD. I do not know. I am not an expert like you.

The CHAIRMAN. It is very questionable, yet you can arrive at it.

Mr. BRINKMAN. I would say——

Mr. WHITEFORD. Mr. Richards said to me he would like to know what standard of value you can use. Your bank stock has no value. Your newspapers have no value. The buildings have no value, because the public has no confidence. Then what?

Mr. BRINKMAN. The only fair standard of value was upheld by the Supreme Court of the United States, the cost of reproducing, less depreciation. Those people were willing to accept that when things were going up. If the building cost them $500,000 a year ago and it cost more to reproduce it, they want the rate of return on the higher cost of reproduction, but now it is falling, they do not want to observe that rule.

The CHAIRMAN. Under what conditions do you say a tenant can be justified in expecting a reduction?

Mr. WHITEFORD. He is justified in expecting a reduction wherever the competition in rents will bring about a reduction, and that is what it does all the time. He can not get a rent reduction fixed on the basis of some lucky purchase that I may make of a building.

The CHAIRMAN. There are many instances here where there does not seem to be much competition. There are a lot of vacancies. They are attempting to exact the same rentals regardless of the lack of tenants.

Mr. WHITEFORD. Your own statement shows $1,500,000 reduction in rentals in 1932. That is a very substantial reduction, and there has been a tremendous lot of it since you made that statement.

The CHAIRMAN. I do not think that was in line with the changed conditions at all, and I said so at the time.

Mr. BOWIE. I would like to make this statement to you. It might help you some. I was very anxious to know the value of newspaper advertising with respect to apartment houses.

I took thirty-odd buildings where we were represented by a resident manager, that Mr. Brinkman does not think is necessary.

Mr. BRINKMAN. That is not my statement.

Mr. BOWIE. I had a report on each inquiry made, and that report disclosed the purpose of their coming. It was to determine what percentage of the callers we got from newspaper advertising.

For the months of August and September, which are the best renting months that we have, we spent $2,650 in newspaper advertising of apartments. We got and traced 2,000 of those inquiries to the newspapers. The final result shows that each inquiry that we got cost us

$5.90, that each tenant that we got cost us $85.40, yet there is this claim that there is a ring, when we are spending our good money to try and rent these apartments, fighting each other as hard as we can to get the tenants from the other fellow.

The CHAIRMAN. Do you not think if you would make a reduction in rents the cost of obtaining tenants would be much less?

Mr. BOWIE. Senator, I think I can safely say if you cut every rent in Washington 50 per cent, you would not make any impression on the percentage of vacancies, because these people are out of a job. They can not pay any rent. That would not enter into it, I honestly believe.

The CHAIRMAN. We brought out in the testimony that a great many of these people are doubling up, as it is called, because of the high rent; that is, rents are not coming down like other items in the cost of living.

Mr. BOWIE. I think the doubling up is due to the fact the man has no job at all and can not pay any rent.

Mr. OLDEN. I made some investigation last week of people who are working and are in apartment houses, men working in the Government service. They are asking for reduction because they have had a reduction in their pay. They find it is hard for them to pay these high rents. We are not discussing people the members of the Real Estate Board have brought up—they have brought up constantly the fact that people are walking up and down the streets, can not pay rent because they are begging. We are talking about people who have been good tenants for years and are paying rent, and during this depression when rental values have not come down these people find it a hardship to pay their rent. We have hundreds of cases, and you have had letters from those people, not people asking for a cup of coffee up and down the streets, but people working day after day who find it almost impossible to meet their expenses because of the high rents. I think it is unfair to the tenants to have this reference constantly made to them that they are not able to pay any rent. I have found many cases in southwest, northeast, southeast, and northwest Washington where people have been good tenants, have been in houses as long as 20 years, some in their houses almost from the time the building was erected. They have paid their rents up to date, up until this depression came. They find they are unable to pay their rents now, and the real-estate men are lenient in some cases, but they are no making reductions. They are waiting to see what is done down here. Some of them have made reductions. We have found reductions in some apartments, but none of them in excess of $2.50 a month.

In those same cases where there have been reductions of $2.50 per month the rents were jumped up from 12 to 25 per cent. So we are not talking about beggars or people that can not pay rent. We are talking about some of those who have to double up.

I believe these buildings would be filled if there were a reduction in rates, and I believe these gentlemen know that. If they do not reduce the rent, the real estate men will make more money. They will make more money by not reducing the rent, because their percentage of the return is greater.

Mr. BRINKMAN. You have found cases of doubling up? You have found cases where they were required to take in roomers?

Mr. OLDEN. Yes; and people have gone into apartments with other folks, which has reduced the number of tenants.

STATEMENT OF G. W. AYERS

Mr. AYERS. I have been in the advertising business for a great many years, which brought me in contact with merchants of various kinds, and I found in the last several years that there has been a reduction of salaries of men now employed at least twice in the last several years, in some of the large stores, and yet they are still working. I know of stores where their salesmen are working on a very small commission instead of a salary. They are still working.

Now, everybody is not out of work. There are many still working on salary reductions as much as 30 and 40 per cent here in the city of Washington.

I do not think it is fair to leave the inference, and I am not making a complaint of my own case, that those who are doubling up are entirely out of work. It is not true. It is not fair to the city of Washington to say so.

I would like to have that in the record, most positively.

STATEMENT OF O. H. BRINKMAN—Resumed

Mr. BRINKMAN. Referring again to the Clifton Terrace Apartments, we find from the testimony given by Mr. Bowie that he has had the assessment reduced. He stated he has had it reduced to approximately $1,000,000, a little over $1,000,000, my recollection of his testimony is, and nevertheless the New York Life Insurance Co. had a mortgage on that building of nearly three-quarters of that amount, or $750,000, whereas it used to be considered, and probably still is considered a first mortgage should not exceed 60 per cent of the value of the building. There is an instance where the mortgage is three-quarters, or 75 per cent of the value.

Mr. WHITEFORD. Your figures were six times the gross rents the other day.

Mr. BRINKMAN. I desire to call the attention of the committee to the Chalfonte Apartments, 1601 Argonne Place, a very large apartment. The mortgage was $1,190,000, and its value was $962,000; in other words, it was mortgaged for about $228,000 more than the assessment.

Next I desire to call your attention to Tilden Hall, 3945 Connecticut Avenue NW.

This apartment had mortgages of $382,000 against an assessment of $350,000.

The next apartment is Valley Vista, 2032 Belmont Road NW. The total encumbrances on the Valley Vista were $1,047,406.51, yet the 1932 assessment is $813,000, or mortgages of more than $200,000 in excess of the assessment. Incidentally that has been foreclosed, sold under foreclosure, and the former president of the North Capital Savings Bank, Mr. Eckert, gave as one of the reasons for the failure of that bank, the purchase of these mortgages that were in excess of the value of the apartments.

Some of the paper on the Valley Vista apartment that they held included second mortgages, and the bank closed with a loss to de-

positors, and they still hold this worthless paper. I think there is a suit pending.

Mr. WHITEFORD. The reason that trust was so large there, I heard a little of that story—that included a second trust on Harvard Hall of $310,000, to secure this bank.

Who was the president of that bank?

Mr. BRINKMAN. Was it not Eckert?

Mr. WHITEFORD. No; the one before that—Michael. Michael and Phillips had the transaction, and between the two of them the bank got in where it got about $300,000 in the transaction, in the building of these buildings. The bank took second trusts on there to protect themselves, and when they took it they took the buildings over subject to trusts.

The trust does not bear any relation to the equity, but the bank took that in order to protect itself and get what it could.

The Fidelity in Philadelphia, holding the first trust, foreclosed one of them.

Mr. BRINKMAN. The bank did fail as the result of it?

Mr. WHITEFORD. Yes. There is no question that it was a rotten deal from a banking standpoint. It did not grow out of the making of the second trust loan.

Mr. BRINKMAN. You mentioned Harvard Hall. They had mortgages of $900,000 against an assessment of $832,000. So there was somewhere around $300,000 on the two properties in mortgages in excess of the assessment.

I think that ought to go in the record.

(The statement referred to is as follows:)

Comparison of some apartment-house encumbrances and assessments

Apartment house and deeds of trust	Total encumbrance	1932 assessment
The Shawmut (2200 Nineteenth Street NW.) as of Jan. 1, 1931: January, 1928, $235,000; and January, 1929, $95,000	$330,000.00	$312,000.00
The McReynolds (Eighteenth and G Streets NW.) as of Jan. 1, 1930: July, 1928, $700,000 and $112,500	812,500.00	866,000.00
The Chalfonte (1601 Argonne Place) as of Jan. 1, 1931: June, 1930, $900,000, and $90,000 and $200,000	1,190,000.00	962,000.00
Tilden Hall (3945 Connecticut Avenue NW.) as of Jan. 1, 1931: November, 1927, $250,000 and $132,500	382,500.00	350,778.00
Harvard Hall (1650 Harvard Street NW.) as of Jan. 1, 1931: December, 1928, $750,000 and $150,000	900,000.00	832,574.00
Valley Vista (2032 Belmont Road NW.) as of Jan. 1, 1932: April, 1927, $750,000; November, 1931, $297,406.51	1,047,406.51	813,000.00
Embassy (1613 Harvard Street NW.), as of Jan. 1, 1932; May, 1924, $450,000; May, 1927, $100,000	550,000.00	597,000.00
1909 Nineteenth Street NW., as of January 1, 1932; May, 1929, $150,000; March 1931, $15,000	165,000.00	156,000.00
The Windermere (1825 New Hampshire Avenue), as of Jan. 1, 1932; September, 1928, $275,000; $75,000; $250,000	600,000.00	436,000.00
The Harrowgate (1833 New Hampshire Avenue), as of Jan. 1, 1932; October 1927, $275,000; August, 1928, $250,000	525,000.00	374,000.00
Park Towers (2440 Sixteenth Street NW.), as of Jan. 1, 1932; September, 1928, $400,000; July, 1930, $100,000; July, 1930, as to seven-tenths interest, $35,000	535,000.00	515,000.00

Mr. BRINKMAN. Then I have compiled a list of apartment foreclosures for 1931 and 1932, that is along the same line, showing the foreclosure price in many, many cases is much less than the assessed value, and it also shows a very interesting situation; that many of these properties have been bought in by the banks and other financial institutions, at less than the assessed value.

(The statement referred to is as follows:)

Apartment houses sold at foreclosure by Weschler, 1931–32

Purchaser	Date	Name and address of apartment house	Trustee sale price	Prior trust	Total sale price	Assessed value
Louis A. Dent	Jan. 15, 1931	Parkside Hotel, 1336 I Street NW	$34,000	$150,000	$184,000	$225,933
S. Sosnow	Jan. 26, 1931	1901, 1903, 1905, Fifteenth Street NW	13,000	97,500	110,500	148,790
Harry Rankin	do	Roosevelt Hotel	200,000	900,000	1,100,000	
Ralph W. Howard	Feb. 18, 1931	1321 Euclid Street NW	500	27,500	28,000	30,573
John A. O'Brien	Mar. 9, 1931	1619 Thirtieth Street NW	7,000	22,000	29,000	35,588
Arthur A. Mittel	Mar. 23, 1931	do	7,000	22,000	29,000	35,588
Fred H. White	Mar. 31, 1931	1773 Lanier Place NW	100	42,000	42,100	49,833
Arthur A. Mittel	Apr. 8, 1931	1520 Connecticut Avenue NW	1,000	67,500	68,500	
Do	Apr. 24, 1931	1905 Pennsylvania Avenue NW	10,000	25,000	35,000	
Walter N. Tobriner	May 5, 1931	Shawmut apartment house, 2200 Nineteenth Street NW	15,000	227,500	242,500	312,265
Glen W. McCambridge						
Federal American National Bank & Trust Co	June 18, 1931	2509–11 Fourteenth Street NW	40,000		40,000	34,252
Emmet J. Scott	July 21, 1931	1645 Thirteenth Street NW	2,000	8,000	10,000	
Wm. H. Laboish	Oct. 19, 1931	718 Eighteenth Street NW	5,000	90,000	95,000	150,910
Ralph W. Howard, jr			40,000		40,000	
New York Life Insurance Co	Jan. 11, 1932	1116–18–20 Seventh Street NW	602,300		602,300	
Edward L. Brady (Washington Loan & Trust Co.)	Jan. 20, 1932	Hay-Adams Apartment Hotel	1,000	100,000	101,000	127,845
E. B. Gilbert	Apr. 15, 1932	1448 Girard Street NW.	40,000	900,000	940,000	962,626
Arthur A. Mittel	May 3, 1932	Chalfonte, 1601 Argonne Place	2,000	67,500	69,500	78,460
Glen W. McCambridge (Federal American National Bank & Trust Co.)	June 15, 1932	Chelsea Inn, 860 Eighteenth Street NW	41,500	125,000	166,500	208,453
Nathaniel Goldberg	June 17, 1932	1460 Irving Street NW	31,000	105,000	136,000	189,944
Glen W. McCambridge (Federal American National Bank & Trust Co.)	Sept. 27, 1932	Manchester, 1426 M Street NW	500	30,000	30,500	65,368
D. C. Realty Co. (Inc.)	Oct. 13, 1932	Penhurst, 48 H Street NE				

Apartment houses sold at foreclosure by Thomas J. Owen Co., 1931–32

	Address	Name of apartment	Sold to	Amount	Subject to prior trust for	Total	Assessed Value
1931							
Jan. 12	3614 Connecticut Avenue NW		P. W. M. Colburn	$20,000	$90,000	$110,000	$114,000
12	1319 Vermont Avenue NW		Mrs. Mollie Ebaugh and Frances Cunningham	750	8,700	9,450	11,018
21	NW corner Fourth and Seaton Place NE	The Eckington	Smoot Sand & Gravel Corporation	25,000			75,444
Feb. 3	1462 Columbia Road NW		Equitable Life Insurance Co	12,000			
16	1923 Eleventh Street NW		D. M. Gary	2,250	17,500	19,750	22,817
18	2225 N Street NW		William Brown	76,750		76,750	95,450
Mar. 2	3945 Connecticut Avenue NW	Tilden Hall	Prudential Insurance Co. of America	250,000		250,000	350,778
9	815 Maryland Avenue NE		Levin P. Handy	11,000	75,000	86,000	92,996
20	1473 Irving Street NW		Elizabeth A. La Croix (Federal Security & Mortgage Co.)	5,000	85,000	90,000	113,212
Apr. 3	1940 Biltmore Street NW	The Biltmore	Jesse Eula Sine (Real Estate Mortgage & Guaranty Corporation,	5,000	125,000	130,000	133,781
17	1511 Twenty-second Street NW		Georgie H. Kelly	1,000	50,000	51,000	65,500
27	332 Second Street NE		Lewis Barber	17,500		17,500	17,861
27	1222 T Street NW		do	30,000		30,000	46,722
27	2531 Q Street NW		National Savings & Trust Co	75,000		75,000	78,211
May 7	921 Butternut Street NW		Real Estate Mortgage & Guaranty Corporation	3,000	25,000	28,000	40,365
14	1125 Maryland Avenue NE		Wilbur F. Nash	35,000		35,000	38,804
19	105 Sixth Street SE		W. S. Hall for Peoples Life Insurance Co	64,500		64,500	49,855
19	815 Maryland Avenue NE	The Mardav	National Savings & Trust Co	70,000		70,000	92,996
26	1914 Connecticut Avenue NW	The Highlands	Alexander Muncaster, agent	72,500	190,000	262,500	483,455
27	1704 T Street NW		Elizabeth A. LaCroix (Federal Security & Mortgage Co.).	5,000	27,000	32,000	49,296
27	1438 Columbia Road NW		do	5,000	60,000	65,000	89,243
29	111 F Street SW		Rose Saks	16,000		16,000	9,710
June 16	1835 Sixteenth Street NW		National Savings & Trust Co	25,000		25,000	41,070
16	1869 Mintwood Place NW		do	30,000		30,000	51,570
23	722 Seventeenth Street NW		Willard G. McGraw (Union Trust Co.)	75,000			
July 9	1332 I Street NW	Franklin Park	Eugene Sanders	500	330,000	300,500	345,790
9	1419 Chapin Street NW		do	500	44,600	45,100	70,125
14	225 Massachusetts Avenue NE		J. M. Camalier (National Mortgage & Investment Corporation).	31,000			
22	2601 Calvert Street NW		W. Eugene Sanders	500	87,500	88,000	145,408
22	11–11½ R Street NE	The Owasco	Sally H. Burch	1,000	35,000	36,000	43,747
27	3237 Hiatt Place NW	The Tivoli	Tivoli Apartment Corporation	47,000		47,000	72,410
July 27	1711 Thirty-fifth Street NW		Walter B. Guy, attorney	34,000		34,000	50,201
Aug. 5	2013 New Hampshire Avenue NW	Hampton Courts	James D. Shallo	60,000	$355,000	415,000	483,778
17	1111 Columbia Road NW		P. W. M. Colburn	30,000	95,000	125,000	144,341
17	733 Sixth Street SE		William E. Furey	10,000		10,000	17,471
Sept. 11	Southwest corner Twenty-fourth and L Streets NW.	The Darlington	North Capitol Savings Bank	3,000	12,341	15,341	16,312
28	2401 Calvert Street NW		National Bank of Washington	349,000		349,000	406,710
Oct. 26	2022 Columbia Road NW	The Wyoming	Lester A. Barr	650,000		650,000	625,308
28	1416 N Street NW		Paul E. Lesh, C. Clinton James, and Louis Ottenberg, trustees.	54,000			300,000
Nov. 9	916 Sixteenth Street NW	Hotel Gordon	Hotel Gordon Inc.)	250,000			
16	676 Fourth Street NE		S. F. Maynard	2,000	31,275	33,275	39,516
16	3511 Thirteenth Street NW	Woodbury Courts	Ann Goldman	5,000	65,000	70,000	84,770
25	2227 Twentieth Street NW	The Knowlton	Jassie Eula Sine (Real Estate Mortgage & Guaranty Corporation).	5,000	160,000	165,000	180,113
30	3030 Q Street NE		Henry P. Blair, Julius I. Peyser, and M. M. Doyle, trustees.	10,000	85,000	95,000	103,562
Dec. 10	Fourteenth and Clifton Streets NW	Clifton Terrace	New York Life Insurance Co	750,000		750,000	1,358,833
30	Third and G Streets NW	The Astoria	Smoot Sand & Gravel Corporation	25,000			107,459
1932							
Jan. 6	1320 Fairmont Street NW		M. R. Smith	10,000	47,500	57,500	88,874
25	2000 Sixteenth Street NW	The Balfour	James M. Baker	125,000		125,000	190,873
Feb. 25	3220 Connecticut Avenue NW	The Parkway	Ernest E. Herrell and P. Raymond Bresch	2,000	309,166	311,166	371,013
Mar. 1	Fourteenth and K Streets NW	Hamilton Hotel	Hamilton Hotel Corporation	529,000			
4	1430 G Street NE		Walter S. Armstrong	15,000		15,000	33,178
8	1111 Lamont Street NW		Nellie M. L. Jekins (Saunders Co.)	4,000	30,000	34,000	45,805
31	1111 H. Street NW	Annapolis Hotel	Washington Annapolis Co	150,000	782,000	932,000	
Apr. 7	Northeast corner Fourteenth and Fairmont Street NW.	The New Amsterdam	New Amsterdam Corporation	200,000			522,138
7	1860 California Street NW		Leo E. Madigan	4,500	35,000	39,500	46,760
14	1650 Harvard Street NW	Harvard Hall	Doris N. Wolf	50,000	750,000	800,000	832,574
14	2032 Belmont Road NW	Valley Vista	do	60,000	750,000	810,000	813,888
May 2	1332 Eye Street NW		Union Trust Co	300,000		300,000	345,790
18	3033 Sixteenth Street NW	The Earlington	Joseph Low	6,000	143,750	149,750	156,158
18	1415 Girard Street NW		Frances R. Dial	12,000	44,000	56,000	82,688
19	2431 E Street NW		M. Helen Higgins	50,000		50,000	66,391
24	1530 Rhode Island Avenue NE	The Edwards	Benjamin F. Edwards	123,000		123,000	145,488
24	1613 Harvard Street NW	The Embassy	Embassy Apartment Co	87,500	450,000	537,500	579,417
25	1514 Seventeenth Street NW	Copley Courts	John E. and Annie N. Ewell	202,000		202,000	357,669
25	2009 Belmont Road NW		Walter J. Pilling	3,000	45,000	48,000	59,964
26	410–414 Seward Square SE		Elizabeth A. LaCroix (Federal Security & Mortgage Co.).	2,500	59,000	61,500	69,662
26	1909 Nineteenth Street NW		Union Trust Co	158,589		158,589	156,480
June 2	2415 E Street NW		Saratoga Building & Land Corporation	45,000		45,000	66,391
7	1929 Sixteenth Street NW		Union Trust Co	22,500		22,500	33,000
9	2423 E Street NW		John N. Swartzell	53,000		53,000	64,099
22	3153 Mount Pleasant Street NW		Hopkins Place Savings Bank of Baltimore City	30,000		30,000	45,999
30	4120 Fourteenth Street NW	Cedric Apartments	Rebecca Young	89,000		89,000	178,695
July 20	1815 S Street NW		Blue Ridge Investment Co	20,000	55,000	75,000	86,244
Aug. 1	1125 Twelfth Street, NW	Stanley Arms Apts	Janie Gore	91,000		91,000	129,262
Aug. 15	2032 Belmont Road, NW	Valley Vista	Willard G. McGraw	700,000		700,000	813,888
Aug. 29	3624 Connecticut Avenue, NW		Ernest E. Herrell and P. Raymond Boesch	2,500	55,000	57,500	76,800
Sept. 6	412 Third Street, NE		C. Gordon Rouse, agent	26,000		26,000	37,500
Sept. 12	1825 New Hampshire Avenue, NW	The Windermere	National Savings & Trust Co	225,000		225,000	436,916
Sept. 12	1833 New Hampshire Avenue, NW	The Harrowgate	do	225,000		225,000	374,010
Oct. 3	1925 Sixteenth Street, NW	The Tiffany	H. Clifford Bangs, or assigns	65,000		65,000	115,120
Oct. 21	Wardman Properties		Sold as an entirety for	6,816,500			
Oct. 31	1910 K Street, NW	John Marshall	Union Trust Co	190,000		190,000	287,152
Nov. 2	1631 S Street, NW	The Shelburne	District National Securities Corporation	2,000	144,300	146,300	243,540
Nov. 7	2131 O Street, NW		do	1,000	100,000	101,000	89,708

Mr. WHITEFORD. Have you got a record of any sale by anybody other than a mortgage holder?

Mr. BRINKMAN. What is that?

Mr. WHITEFORD. Have you a record of a sale made in those foreclosures to anybody other than a mortgage holder?

Mr. BRINKMAN. It is hard to determine in some instances. There are a number here shown as purchasers who are not shown as connected with any mortgage institution.

Mr. WHITEFORD. Straw parties?

Mr. BRINKMAN. Whether they are straw parties or not I can not say. In some cases where they are straw parties, I have indicated that.

You will find a number of purchases of apartments by Elizabeth A. LaCroix. She is connected with the Federal Security and Mortgage Co.

Willard G. McGraw bought a property, and he is connected with the Union Trust Co. I have indicated that where possible. These properties were bought at less than the assessed value, in most instances, and sold that way.

The CHAIRMAN. Have the rents gone down?

Mr. BRINKMAN. Not in conformity with the lower purchase prices. They have made some reductions.

You made inquiry about the basis of value of these properties. I have here a photostatic copy of letter from the New York Life Insurance Co., written in 1925, when it was proposed to continue the rent act regulating rents, and this letter was taken from the files of the Department of Justice. The secretary in charge of real estate and mortgage loan department of the New York Life Insurance Co. of New York, wrote to Mr. Fred Thorpe Nesbit in Washington, and in effect threatened if the rent act was continued they would make no more loans here. We will put the whole letter in the record, but he says:

> As you well know, the modern method of determining the valuation of improved real estate depends largely upon the estimated income over the period or life of the loan. In the face of such a law it would be impossible for this company to make any such estimate and consequently determine with any degree of security, the valuation of the property for investment purposes.

In other words, they show here a desire to maintain the income at the same level over a period of years, and not change the income if economic conditions change.

We have previously shown a great many insurance companies nevertheless have reduced their dividends to policyholders, but apparently there has been no reduction there.

If they reduced the interest rates to the apartment owners, the owners could reduce the rents, because they would make a very substantial saving, as I have shown.

(The letter referred to is printed in full below, as follows:)

NEW YORK LIFE INSURANCE CO.,
New York, January 23, 1925.

In re—Application for loan of $90,000 to ——— ———, Washington, D. C.

Mr. FRED THORPE NESBIT,
Investment Building, Washington, D. C.

DEAR SIR: This application came before the real estate committee to-day and I was directed to write to you and inform you that in view of the pending legislation now before Congress—House bill 11078, Senate bill 3764—known as "The District of Columbia rent act,"—this company feels that it can not safely make any further commitments for loans secured by mortgages on real estate for residential purposes within the District of Columbia.

If this bill becomes a law it will give to the rent commission created thereby, full inquisitorial and regulatory powers over the income derived from such property and quite put it within the power of said commission to determine the amount of rent the landlord or owner may exact, irrespective of whatever previous valuations may have been placed upon the said land by a mortgage investor based and calculated upon the probable income at the time of making the mortgage.

As you well know, the modern method of determining the valuation of improved real estate depends largely upon the estimated income over the period or life of the loan. In the face of such a law it would be impossible for this company to make any such estimate and consequently determine with any degree of security, the valuation of the property for investment purposes.

There are many other features of this bill which we think highly undesirable, but I will not attempt to cover them in this letter, as our primary interest in the legislation is from the standpoint of a mortgage investor. We have heretofore found Washington a very desirable and safe city within which to make mortgage investments, and we can only hope that this legislation may be defeated, so that Washington may continue to be as it has been in the past, an outlet of our funds for investment.

Yours truly,

FRED'K M. CORSE,
Secretary in Charge.

N. B.—The foregoing private business letter sheds a significant light upon the economic and financial consequences which may be expected to attend upon the enactment of the uneconomic legislation comprised in the pending rent bills, S. 4227, and H. R. 12154.

T. P. GORE,
1040 Woodward Building, Washington, D. C.

Mr. BRINKMAN. There are a few things more I think ought to be covered. You have noticed, and the record shows, that there have been very large charges for depreciation deducted as operating expenses, and that, of course, lowers the net return from the building. The fact is they have so regulated the amount of building here and so conspired among themselves, that they have kept the rents not only high, but have even raised them in many instances, so that the building has not depreciated from the standpoint of the income it produces. The deduction for depreciation is altogether wrong.

The buildings now are earning more than they earned 15 or 16 years ago.

I do not know whether I have put an instance of it in the record, but I think it might be well to put it in now. For instance, the Ethelhurst Apartment, Fifteenth and L, owned by T. F. Schneider Corporation. The building was erected in 1902. That is practically 30 years ago. It was erected at an estimated cost of $125,000. It has remained in the ownership of the same family, whose records show a book cost in 1907, land, $30,000, building, $130,000, or a total of $160,000.

That was practically 30 years ago. After 30 years, with a steady income to the owner, the building is now assessed for $80,000 and the land $102,000, or a total assessed value of $182,000 in 1932; $22,000 more than the original book cost. In other words, there has been no depreciation in value of that building, and the same might be said of other buildings.

At the foot of the Capitol is the Ventosa Apartment building, which was erected many years ago, and not long ago it was sold

to the Government for about $318,000, showing that there has been no depreciation.

Mr. WHITEFORD. You mean to say the ground increases in value, the building depreciates, of course.

Mr. BRINKMAN. But, on the other hand——

Mr. WHITEFORD. The land, of course, has increased once in a while.

Mr. BRINKMAN. These buildings are still bringing in now more rent than they did 15 or 16 years ago.

Mr. WHITEFORD. They have got to, on that land value.

Mr. BRINKMAN. If the owners of the Ethelhurst had deducted 2½ per cent depreciation each year during the 30 years, they would have, in addition to the profits, nearly $100,000 in cash, not counting all the interest earned on yearly accumulations for 30 years. In addition they still have land and building assessed for over $22,000 more than the costs shown on their books.

The CHAIRMAN. Has there been any reduction in rents?

Mr. BRINKMAN. Practically none.

I think it might be well to put in the record a tabulation that I have made from the want-ad columns of the Washington Evening Star for 1916 and 1932, showing rents of certain buildings 16 years ago, and rents for the same buildings now.

For instance, we have the Victoria at Fourteenth and Clifton Streets, where on October 7, 1916, the apartments were advertised for $45.50, six rooms, bath, and porch, $45.50. In 1932 they advertise five rooms and bath, $75. In other words, those apartments have gone up $30 a month in that old building. It is a very old building.

Then we have the Dunsmere, 2523 Fourteenth Street, advertised in 1916, three rooms and bath, $30.50, top price. In the present year, $60, or double, 100 per cent increase in that old building.

There are many instances of that.

For instance, the Courtland, 1760 Euclid Street NW., five rooms and bath in 1916, $57.50 to $60, and now they are $80 to $100.

Beverly Court, 1736 Columbia Road, in 1916, four rooms, bath, and porch, $47.50, and in 1932 the price is $77.50, an increase of $30 per month.

Avalon and Pasadena, four rooms and bath, in 1916, $32.50, and August 27 of this year, four rooms and bath, $57.50.

I have made a great many comparisons of that kind, and in each instance they show a large increase on these old buildings. In other words, the buildings are earning more gross income now than they did 16 years ago, which indicates there has not been any real depreciation as measured by earnings.

Mr. WHITEFORD. Did you compare the assessments?

Mr. BRINKMAN. No.

Mr. WHITEFORD. I wonder what Richards did.

Mr. BRINKMAN. I assume he raised the assessments.

(The statement referred to is as follows:)

ERRORS IN DEDUCTING DEPRECIATION

As bearing still more directly on the question of whether it is proper to allow owners of Washington apartments to deduct a depreciation charge of 2½ per cent a year on the assessed value of buildings, attention is called to the fact that as the years go on the older apartment houses of Washington bring greatly increased gross rentals. In other words, instead of the properties earning less money as time goes on and, therefore, having a lesser or depreciated value, the properties often produce a greater gross income. This situation may be readily comprehended by glancing at the examples below of the increases in rents in some of the older apartment buildings in Washington, comparing rents in the same building in 1916 and 1932:

(CHATHAM COURTS)

1932 rent	1916 rent
1707 Columbia Road, September 3, 2 rooms, bath, and foyer, to 6 rooms, 2 baths, and foyer, $50 to $150.	1731 Columbia Road, October 7, 3 rooms and bath, $38.50; 4 rooms and bath, $60.

(The Victoria, Fourteenth and Clifton)

3 rooms and bath to 5 rooms and bath, $45 to $75.	October 7, 6 rooms, bath, and porch, $45.50.

(The Dunsmere, 2523 Fourteenth Street)

2 rooms, bath, and foyer, to 3 rooms, bath, and foyer, $40 to $60.	October 7, 1 room and bath, $15.50 to $18.50; 3 rooms and bath, $28.50 to $30.50.

(Falkstone Courts, 1401 Fairmont NW.)

3 rooms, bath, and foyer to 5 rooms and bath, $50 to $85.	October 7, 5 rooms, bath, and porch, $60.50; 6 rooms, bath, and porch, $70.50.

(The Courtland, 1760 Euclid NW.)

5 rooms, bath, and foyer, $80 to $100.	October 21, 5 rooms and bath, $57.50 to $60.

(Beverly Court, 1736 Columbia Road NW.)

August 27, 4 rooms, kitchen, bath, and porch, $77.50.	October 21, 4 rooms, bath, and porch, $47.50.

(The Iroquois, 1410 M Street NW.)

August 27, 4 rooms, kitchen, and bath, $78.	October 21, 5 rooms and bath, $50.

(The Wisteria, 1315 Park Road NW.)

3 rooms, kitchen, and bath, $47.50.	October 7, 3 to 4 rooms, $20.50 to $37.50.

(The Cliffbourne, 1855 Calvert NW.)

August 5, 5 rooms and bath, $50; 5 rooms and bath, $60; 5 rooms and bath, $67.50.	September 3, 5 rooms and bath, $35 and $40.

(Avalon and Pasadena, 2627–2633 Adams Mill Road NW.)

August 27, 4 rooms and bath, $57.50.

(Avalon, 2627 Adams Mill Road NW.)

4 rooms and bath, $32.50.

(The Coywood, 1225 L Street NW.)

August 27, 2 rooms and bath, $32.50; 4 rooms and bath, $45.50; 5 rooms and bath, $61.50.	September 3, 2 rooms, $22.50; 4 rooms, $32.50; 5 rooms, $42.50.

(The Cordova, Twentieth Street and Florida Avenue NW.)

August 27, 2 rooms, reception hall, and bath, $36.50; 3 rooms, reception hall, and bath, $66; 5 rooms and bath, $76; 6 rooms, duplex, $110.50; 6 rooms and bath, $94.	September 3, 2 rooms and bath, $32.50; 3 rooms and bath, $33.50; 5 rooms and bath, $50.50 to $55.50; 6 rooms, bath, and loggia, $60.50 to $65.50; 7 rooms, bath, and 2 loggia (duplex), $70.50 to $77.50.

(The Decatur, 2122 Decatur Place or 2131 Florida Avenue)

November 2, 4 rooms and bath, $64.50; 5 rooms and bath, $77.50.	October 21, 3 to 5 rooms and bath, $30 to $45.

(The Imperial, 1763 Columbia Road NW.)

August 27, 2 rooms, kitchen, and bath, $57.50; 4 rooms, kitchen, and $95; 5 rooms, kitchen, and bath, $100.	September 10, 3 rooms, reception hall, $30.50; 5 rooms, reception hall, $46; 6 rooms, reception hall, $51.

(The Hirmhurst, 1229 Twelfth Street NW.)

October 5, 2 rooms, kitchen, bath, and porch, $40; 3 rooms, kitchen, bath, $43; 3 rooms, kitchen, bath, $50; 3 rooms, kitchenette, bath, and porch, $42.50.	September 10, 2 rooms, bath, and kitchenette, porch, $26.50; 3 rooms, bath, and porch, $28.50; 3 rooms and bath, front, $30.50; 4 rooms, bath, and porch, $30.50.

(Carlisle Court, Fourteenth Street and Columbia Road)

September 3, 2 rooms and bath to 4 rooms and bath, $45 to $60.	October 21, 2, 3, and 4 rooms and bath, $26.50 to $40.50.

(The Berkshire, 1412 Chapin Street)

August 25, 2 rooms and bath, housekeeping, $32.50; 6 rooms and bath, $60.	September 10, 2 rooms and bath, $22.50; 6 rooms and bath, $37.50.

(Wendell Mansions, 2339 Massachusetts Avenue)

September 3, 11 rooms and 4 baths, $350.	October 21, 12 rooms and 3 baths, $250.

(The Milton, 1729 H Street)

Monthly rental, $35 to $75.	October 21, 6 rooms and bath, $35 to $40.

(The Baltimore, 1615 Swan Street NW.)

October 1, 5 rooms, kitchen, bath, and porch, $67.50.	October 21, 5 rooms, bath, and porch, $35.

Mr. BRINKMAN. We have in the record a statement by Mr. Richards showing he raised the assessment not as much as the rents. He stated the rents had gone up an average of 60 per cent, and he had raised the assessment about 30 per cent. The figures are in the record already, and they show the assessments have not been raised as much as rents.

I remember he showed in some cases rents had gone up as much as 142 per cent in the case of some buildings.

Now that brings us to the matter of house rent.

The resolution of the Senate covered not only apartment rents, but house rents, and some investigation was made on the subject of house rents.

We have already put in the record the high returns of a subsidiary of B. F. Saul on the properties at Eighteenth and Bay, flat properties, that are really house properties. Now we get to certain houses that were built about 50 years ago on Pennsylvania Avenue, SE., showing that the house situation is about as bad or worse than the apartment situation, that the old house properties are earning more now than when they were built.

There are certain houses located in square 947, quite a large group of houses managed by the American Security & Trust Co., as agents of the heirs of John E. Herrell. I have here letters that I wrote to the trust officer of the American Security & Trust Co. and their answers covering those properties, and I informed the trust company that these matters would be taken up in the hearings.

Mr. WHITEFORD. Are those the same houses you meant in connection with the Saul Co.?

Mr. BRINKMAN. No; they are different houses, but along the same line.

These houses, I was informed by one of the occupants, were built somewhere between 1874 and 1878, almost 50 years ago.

The trust company states in this letter, which I will ask to have put in the record, that the cost of the land was approximately $6,830. My information is the houses were built at a cost of $1,800 each, and they rented originally for $15.50 each.

By 1895 the rent was $20 a month, and up to December 1, 1932, the houses were renting for $42.50, compared with $15.50 originally. They were renting for nearly three times as much as they were 50 years ago.

Mr. WHITEFORD. Who gave you the information that the houses cost $1,800?

Mr. BRINKMAN. I will be glad to give that information to the committee in executive session. The person who gave that information is in some fear of financial loss if he testifies, but the information was conveyed to the American Trust Co. in a letter, and they made no denial. The American Security & Trust made no denial of the cost as stated in my letter to them.

Mr. WHITEFORD. I do not see how they would know the cost 50 years ago. I do not suppose they care.

Mr. BRINKMAN. The houses are still in the hands of the heirs of the original owner, and, of course, they could have secured the information from the records of the original owner if there was any question in their mind as to the correctness of that $1,800 cost.

Mr. WHITEFORD. You mention the word "heirs." I assume the original owner is dead.

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. And I do not know how you could ask him.

Mr. BRINKMAN. They made no denial that the houses did cost $1,800. Now they are rented for about three times, almost three times, the rental of 50 years ago.

The CHAIRMAN. Have you any idea of what that return is?

Mr. BRINKMAN. Yes. Those houses until quite recently were not modern, did not have modern plumbing, electric lights, or ordinary conveniences. They were heated by stoves or latrobes, for which the tenants supplied the fuel.

The Trust Co. submitted a statement, which I will ask to have put in the record, showing the receipts and expenditures for each of those houses.

(The correspondence and tabulations in reference to the houses referred to are as follows:)

THURSDAY, *November 24, 1932.*

TRUST OFFICER AMERICAN SECURITY & TRUST CO.,
Washington, D. C.

DEAR SIR: At a meeting of the Senate subcommittee investigating rents, to be held in the Senate District Committee room at the Capitol Thursday, December 1, information will be given concerning certain houses for which you are trustee located in the block between Ninth and Tenth Streets and D Street and Pennsylvania Avenue NE.

It is my understanding that you manage this property as trustee for the estate of John Herrald; that present rentals are in the neighborhood of $41 and $42.50, and that the original cost of the several houses was $1,800 each, some 40 or 50 years ago.

Prior to the meeting, and preferably by return mail, I should be glad to receive information from you as to the income from the houses and the operating expenses for each of the last three or four years; also information as to original cost.

You will have an opportunity to appear before the committee, if you wish.

Very truly yours,

O. H. BRINKMAN,
Counsel for Subcommittee.

AMERICAN SECURITY & TRUST CO.,
Washington, D. C., November 26, 1932.

Mr. O. H. BRINKMAN,
Washington, D. C.

DEAR SIR: Complying with your request of the 24th instant, we are enclosing a statement showing the gross receipts, gross expenditures, net receipts before depreciation and present monthly rentals of all the properties in square 947 managed by this company as general agent for the heirs of the late John E. Herrell. This statement is prepared from the records in our real estate department, and the expenditures shown do not cover any commission for the collection of rentals, a commission of 3 per cent being collected by our trust department. In other words, the net receipts as shown should be reduced by an amount equal to 3 per cent of the gross receipts.

Our records show that all the vacant ground in square 947 was purchased at foreclosure sales in 1874 and 1878 at a total cost of $6,830, that subsequently the late Mr. Herrell erected the improvements known as Nos. 400 Ninth Street southeast, 403 and 405 Tenth Street southeast, and 902 to 926 Pennsylvania Avenue southeast, and two garages on lot 19.

There have been two sales in this square since the property has been under our management—namely, lot 5, being No. 926 Pennsylvania Avenue, was transferred to Bertha A. Tolson, one of the daughters of the late Mr. Herrell, the request of the other members of the family, on November 2, 1923, for a consideration of $6,000. This sale was a family affair and was not a fair indication of the value of the property at that time. Lot 6, being No. 924 Pennsylvania Avenue, was sold on December 31, 1923, to John H. and Mae H. Bacas, joint tenants, for $7,600 all cash. This was a sale made in the open market and can be considered as a fair indication of the value of the property at that time.

We shall be glad to furnish you any further information you may require.

Respectfully,

W. L. BEALE, *Real Estate Officer.*

NOVEMBER 28, 1932.

Mr. WILLIAM L. BEALE,
Real Estate Officer, American Security & Trust Co.,
Washington, D. C.

DEAR SIR: I have your letter of the 26th inclosing data concerning properties in square 947 managed by your company as agent for the heirs of J. E. Herrell.

I wish you would furnish me immediately with an itemization of the following expenditures:

403 Tenth Street SE., year 1929	$376.00
403 Tenth Street SE., year 1931	237.01
405 Tenth Street SE., year 1928	286.43
405 Tenth Street SE., year 1929	240.91
902 Pennsylvania Avenue SE., year 1927	231.48
902 Pennsylvania Avenue SE., year 1930	533.11
904 Pennsylvania Avenue SE., year 1927	359.71
904 Pennsylvania Avenue SE., year 1929	416.32
906 Pennsylvania Avenue SE., year 1932	257.35
918 Pennsylvania Avenue SE., year 1932	344.08

These properties will be considered at a hearing of the rent investigation committee, commencing either Thursday or Friday morning of this week, at 10.30 a. m., in the Senate District Committee room, Capitol, and you may be heard, if you wish. Please let me have the information at once, however.

Very truly yours,

Counsel for Subcommittee.

AMERICAN SECURITY & TRUST CO.,
Washington, D. C., November 29, 1932.

Mr. O. H. BRINKMAN,
Counsel for Subcommittee, Washington, D. C.

DEAR SIR: Complying with your request of the 28th instant for an itemized statement of expenditures for certain properties in square 947, managed by this company as agent for the heirs of the late John E. Herrell, we submit the following:

403 Tenth Street southeast

YEAR 1929

Jan.	7.	Washington Post Co., advertising, December	$1.40
	24.	Washington Post Co., advertising, Dec. 29, 30	.56
	24.	Evening Star Co., advertising, Dec. 25	.64
	25.	George A. Malone, 2 keys	1.50
Feb.	11.	Insurance	10.00
	14.	Evening Star Co., advertising, January	2.72
		Washington Herald and Times, advertising, January	1.38
Mar.	25.	Collector of taxes, District of Columbia	26.98
	20.	Evening Star Co., advertising, February	3.20
Apr.	23.	Evening Star Co., advertising, March	1.60
May	1.	Potomac Electric Co., install service	16.25
	13.	Carow, paint, paper, and scrape	74.00
	14.	Bernard O. Grant, new glass, sash cords	15.75
	21.	Washington Post Co., Apr. 17, advertising	.45
June	12.	George J. Cross, plumbing, repairs	23.95
July	2.	District Electric Co., wiring as per estimate	117.50
		B. O. Grant, repairs to porch	17.45
	23.	F. J. Simonds, 3 glass panes	5.00
Aug.	15.	B. O. Grant, fasten and nail side gate	1.80
	29.	Collector of taxes, District of Columbia, water rent	6.36
Sept.	5.	H. M. Kinnison, remove trash, clean premises	6.36
	27.	Collector of taxes, District of Columbia	26.98
	26.	Evening Star Co., advertising, August	.64
	30	Washington Post Co., advertising, August	.30
Oct.	2	Washington Herald and Times, advertising, August	.60
Nov.	22	Ironclad Roof. Co., repairing leak in roof	10.50
Dec.	23	George A. Malone, new lock, front door	5.00
			376.60

YEAR 1931

Jan. 23	Evening Star Co., advertising, December	$0.48
Feb. 14	Evening Star Co., advertising, January	2.88
Mar. 17	J. F. Cooper, glass	5.00
24	Collector of taxes	29.00
27	Washington Post Co., advertising, February	.30
	Evening Star Co., advertising, February	.48
Apr. 15	J. F. Cooper, nail up windows and doors	2.00
17	Milton Bairstow, turn on water, replace pipes	25.82
	Clarence W. Gosnell, new garage door	3.40
May 8	Kinnison Service, clean premises	4.00
26	G. A. Malone, 2 keys, combination on lock	2.00
June 20	Washington Post Co., advertising, May	1.20
22	Washington Herald and Times Co., advertising, May	.60
27	Evening Star Co., advertising, May	2.56
July 1	F. J. Simonds, pair blinds, new glass	11.00
20	Washington Herald and Times Co., advertising	.90
22	Washington Post Co., advertising	.60
24	G. A. Malone, lock and fit keys	6.75
Aug. 13	Evening Star Co., advertising	.48
Sept. 17	Kinnison Service	4.00
25	Collector of taxes	29.00
Oct. 19	B. O. Grant, install door knobs	2.40
27	Evening Star Co., advertising	.64
Nov. 30	L. M. Cross, turn off water	2.75
Dec. 10	Francis J. Litz, replace connection to gas	2.00
	W. L. Brotherton, repair and clean range	12.00
	W. J. Simonds, window glass	22.62
15	Evening Star Co., advertising	2.04
16	Carow, paper and paint	48.50
23	Superior Lock & Electric Co., repair fixtures	5.86
30	L. M. Cross, turn on water, etc	5.75
		237.01

405 Tenth Street SE.

YEAR 1928

Feb. 8	Carow, paper and scrape	$23.50
Mar. 20	Collector of taxes	27.00
Aug. 9	B. O. Grant, repair fence, new post	8.85
17	Harry W. Taylor, repair plaster, paint kitchen	22.00
Sept. 11	Garland E. Carr, interior decorating, repairs	105.70
24	Collector of taxes	27.00
18	Evening Star Co., advertising	2.72
27	Washington Post Co., advertising	5.74
Oct. 5	Collector of taxes ($6.36 refund)	8.22
22	Washington Post Co., advertising	2.38
24	Washington Times, advertising	4.83
26	Evening Star Co., advertising	6.40
Dec. 4	Evening Star Co., advertising	4.80
19	F. J. Simonds, transom glass	2.50
	Washington Gas Light Co., Oriole range	34.79
		286.43

YEAR 1929

Jan. 3	J. R. Quinter, repairing tank and leak at sink	8.85
22	Cost of notice	2.35
Feb. 8	Potomac Electric Power Co., install underground service	14.08
11	Cost of notice	2.35
	Insurance	10.00
Mar. 25	Collector of taxes	27.00
12	Cost of notice	2.35
Apr. 3	Writ of restitution	1.50
17	Cost of notice	2.10

May 23	Cost of notice	$2.10
July 2	District Electric Co., wiring	117.50
Aug. 23	Collector of taxes, water rent	11.13
Sept. 27	Collector of taxes	27.00
Oct. 16	Cost of notice	2.10
Nov. 22	Ironclad Roofing Co	10.50
		240.91

902 Pennsylvania Avenue SE.

YEAR 1927

Mar. 17	Collector of taxes	$30.49
June 20	Mattie Armstrong, repair fence	1.00
	J. O. Glass, paper 2 rooms	18.00
Aug. 10	Geo. J. Cross, lower gas fixture	2.20
Sept. 28	Collector of taxes	28.80
Oct. 6	Collector of taxes, water rent	6.36
19	B. O. Grant, new doorbells	5.10
Dec. 14	Shade Shop, 7 shades	10.15
20	Thomas P. Baldwin, repair heater	25.75
21	Ironclad Roof Co., repair and paint	72.00
	Ironclad Roof Co., roof damaged by tornado	31.63
		231.48

YEAR 1930

Mar. 28	Collector of taxes	28.80
Apr. 29	F. J. Simonds, repair party fence	8.85
May 21	B. O. Grant, repair 2 locks	5.90
Sept. 24	Collector of taxes	30.98
23	F. J. Simonds, ease doors	2.00
26	Collector of taxes, water rent	8.75
Oct. 2	Robt. G. Falconer, repair latrobe	36.45
17	H. W. Taylor, plaster ceiling	77.00
Nov. 13	Potomac Electric Power Co., underground service to house	12.58
Nov. 28	Bell and Smith, patch plaster	23.00
Dec. 10	F. J. Simonds, repair 2 window frames	11.80
12	J. O. Glass, paint, pointing, paper	97.00
19	E. R. Bateman, install wire and fixtures	190.00
		533.11

904 Pennsylvania Avenue SE.

YEAR 1927

Jan. 21	Pruitt & Zimmerman, remove, repair, replace latrobe	64.50
Mar. 17	Collector of Taxes	32.20
July 6	Washington Post Co., advertisement, June 11	1.68
13	Evening Star, advertisement, June	3.63
Aug. 19	Evening Star, advertisement, July 2	1.98
	Carow, papering, painting, and repairing, etc	72.00
Sept. 1	Carow, papering, painting, and repairing, etc	27.00
28	Collector of Taxes, D. C	30.42
Oct. 6	Collector of Taxes, D. C., water rent	6.36
Nov. 16	Evening Star, advertisement, Oct. 15, 29, 22	5.12
23	Washington Post, advertisement, Oct. 29	2.24
Dec. 8	Washington Post, advertisement, Nov. 13	.70
13	Evening Star, advertisement, Nov. 5, 19, 26	4.80
19	Joseph R. Quinter & Son, turn off water and drain pipes, etc	3.45
21	Ironclad Roofing Co., repair seams of roof (tornado)	72.00
	Ironclad Roofing Co., repair roof and paint, etc. (tornado)	31.63
		359.71

904 Pennsylvania Avenue southeast

YEAR 1929

Mar. 14,	collector of taxes, D. C	$30.42
Apr. 3,	H. M. Kinnison, remove trash	1.00
	H. M. Kinnison, clean vault	3.00
5,	F. J. Simonds, repair transom glass	2.50
15,	George J. Cross, turn off water and drain pipes	3.75
18,	O. V. Carpenter, painting, paper	89.00
26,	American Disinfectant Co., extermination service	5.25
May 2,	William Brown, cleaning house	4.25
14,	George J. Cross, jr., turn on water, repair flush tank	4.45
June 12,	George J. Cross, jr., install gas range outlet	4.10
July 31,	F. J. Simonds, miscellaneous carpenter repairs	12.00
Aug. 6,	George A. Malone, 2 keys, front door	1.50
9,	Washington Post Co., advertisement, July 17	.30
13,	Potomac Electric Power Co., underground service	12.74
26,	Evening Star Co., July	.16
	Carow, paper second-floor rooms, front and rear	29.00
29,	collector of taxes, D. C., water rent	6.36
Sept. 12,	Nathan Goodman Co., wiring and fixtures	139.00
27,	collector of taxes, D. C	30.41
Oct. 9,	F. J. Simonds, miscellaneous carpenter repairs	25.17
Dec. 3.	H. M. Kinnison, clean, removing trash	4.00
10.	Evening Star Co., advertising, November	3.36
12.	Jos. R. Quinter & Son, turn off water, drain pipes	4.60
		416.32

906 Pennsylvania Avenue SE.

YEAR 1932 TO DATE

Jan. 11,	Insurance premium	$10.00
22.	Evening Star Co., advertising	1.60
Feb. 23.	Garland E. Carr, paper, paint	32.25
Mar. 23.	Collector of Taxes, D. C.	35.31
30.	F. J. Simonds, reset window frame	2.50
Apr. 1.	Milton Bairstow, replace pipe to sink	5.45
	M. A. Hedderman, clean latrobe and range	5.75
	B. O. Grant, repair rear porch	9.45
4.	Kinnison Service, cleaning trash	3.00
6.	Wash. Shade Co. (Inc.), 5 shades, 12 rollers	14.20
12.	Superior Lock & Electric Co., repair bell	2.75
19.	John M. Beane, turn on water	2.00
22.	M. A. Hedderman, install brick and pan, range	3.00
Sept. 21.	Collector of Taxes, D. C., water rent	8.75
25.	Collector of Taxes, D. C.	35.31
Oct. 22.	Frank Wright, furnish and install lathrobe stove	70.75
Nov. 1.	Carow, papering	10.50
Nov. 2.	John M. Beane, repair to spigots	2.30
9.	Superior Lock & Electric Co., wire fixtures	2.48
		257.35

918 Pennsylvania Avenue SE.

YEAR 1932 TO DATE

Jan. 11.	Insurance premium	$10.00
Feb. 1.	Superior Lock & Electric Co., repair to lights	2.90
5.	Milton Bairstow, clear sink	2.60
Mar. 23.	Collector of Taxes, District of Columbia	36.55
June 16.	F. J. Simonds, repair gate, 12 windows, glass and sash	11.43
	Carow, paint kitchen, walls, and woodwork	10.50
20.	Shade Shop, 14 shades	13.80
Aug. 22.	Carow, papering	120.00
24.	William J. Reidy, repair closet bowl and spigots	5.50
	B. A. Coe & Co., 1 Cameo gas range	26.50
Sept. 2.	Garland E. Carr, scraping walls and plastering	50.00
25.	Collector of Taxes, District of Columbia	36.55
Oct. 5.	Collector of Taxes, District of Columbia, water rent	8.75
6.	American Distinfectant Co., service	9.00
		344.08

Assuring you of our desire to furnish you with any information about the various properties managed by this company, we are

Very truly yours,

AMERICAN SECURITY & TRUST CO.,
By W. L. BEALE,
Real Estate Officer.

Statement of receipts, expenditures, net receipts, and monthly rentals of all properties owned by the heirs of the late John E. Herrell in square 947

Property	Receipts	Expenditures	Net receipts	Present monthly rental
400 Ninth Street SE.:				
1927	$690.00	$234.44	$455.56	
1928	690.00	214.03	475.97	
1929	690.00	172.70	517.30	
1930	632.50	134.79	497.71	
1931	652.50	235.63	416.87	
1932 to date	550.00	231.41	318.59	$50.00
	3,905.00	1,223.00	2,682.00	
403 Tenth Street SE.:				
1927	450.00	230.51	219.49	
1928	337.50	93.86	243.64	
1929	339.00	376.60	*37.60*	
1930	235.50	163.55	71.95	
1931	81.50	237.01	*155.51*	
1932 to date	160.00	110.70	49.30	37.75
	1,603.50	1,212.23	391.27	
405 Tenth Street SE.:				
1927	458.00	95.81	362.19	
1928	338.40	286.43	51.97	
1929	469.20	240.91	228.29	
1930	329.40	116.76	212.64	
1931	480.00	87.58	392.42	
1932 to date	290.80	112.73	178.07	37.75
	2,365.80	940.22	1,425.58	
902 Pennsylvania Avenue SE.:				
1927	486.00	231.48	254.52	
1928	486.00	155.34	330.66	
1929	486.00	151.06	334.94	
1930	486.00	533.11	*47.11*	
1931	510.00	104.30	405.70	
1932 to date	467.50	143.39	324.11	40.75
	2,921.50	1,318.68	1,602.82	
904 Pennsylvania Avenue SE.:				
1927	350.00	359.71	*9.71*	
1928	426.00	165.14	260.86	
1929	251.30	416.32	*165.02*	
1930	340.80	132.12	208.68	
1931	526.20	157.50	368.70	
1932 to date	498.60	104.25	394.35	42.60
	2,392.90	1,335.04	1,057.86	
906 Pennsylvania Avenue SE.:				
1927	486.00	126.64	359.36	
1928	486.00	254.18	231.82	
1929	522.00	285.35	236.65	
1930	503.75	172.48	331.27	
1931	362.80	144.19	218.61	
1932 to date	299.25	257.35	41.90	40.75
	2,659.80	1,240.19	1,419.61	
908 Pennsylvania Avenue SE.:				
1927	486.00	158.66	327.34	
1928	486.00	243.00	243.00	
1929	513.00	309.95	203.05	
1930	522.00	134.66	387.34	
1931	501.50	108.58	392.92	
1932 to date	479.50	180.63	298.87	42.00
	2,988.00	1,135.48	1,852.52	

Statement of receipts, expenditures, net receipts, and monthly rentals of all properties owned by the heirs of the late John E. Herrell in square 947—Contd.

Property	Receipts	Expenditures	Net receipts	Present monthly rental
910 Pennsylvania Avenue SE.:				
1927	$446.30	$269.27	$177.03	
1928	487.20	308.44	178.76	
1929	523.20	147.13	376.07	
1930	523.20	189.55	333.65	
1931	523.20	149.80	373.40	
1932 to date	392.40	103.14	289.26	$42.00
	2,895.50	1,167.33	1,728.17	
912 Pennsylvania Avenue SE.:				
1927	486.00	332.51	153.49	
1928	489.00	263.98	225.02	
1929	522.00	270.53	251.47	
1930	522.00	102.28	419.72	
1931	522.00	161.99	360.01	
1932 to date	470.25	117.12	353.13	42.00
	3,011.25	1,248.41	1,762.84	
914 Pennsylvania Avenue SE.:				
1927	394.70	180.60	214.10	
1928	364.50	478.75	*114.25*	
1929	547.20	173.08	374.12	
1930	547.20	103.23	443.97	
1931	547.20	108.70	438.50	
1932 to date	456.00	100.95	355.05	42.00
	2,856.80	1,145.31	1,711.49	
916 Pennsylvania Avenue SE.:				
1927	486.60	252.41	234.19	
1928	349.30	164.86	184.44	
1929	400.50	167.21	233.29	
1930	237.10	177.69	59.41	
1931	131.25	336.28	*205.03*	
1932 to date	175.00	238.93	*63.94*	42.00
	1,779.75	1,337.39	442.36	
918 Pennsylvania Avenue SE.:				
1927	486.00	223.68	262.32	
1928	492.00	138.06	353.94	
1929	522.00	326.77	195.23	
1930	478.50	253.44	225.06	
1931	500.25	165.82	334.43	
1932 to date	392.75	344.08	48.67	42.00
	2,871.50	1,451.85	1,419.65	
920 Pennsylvania Avenue SE.:				
1927	486.00	212.18	273.82	
1928	405.90	264.86	141.04	
1929	489.20	140.28	348.92	
1930	490.20	298.87	191.33	
1931	393.45	259.96	133.49	
1932 to date	421.60	129.91	291.69	40.75
	2,686.35	1,306.06	1,380.29	
922 Pennsylvania Avenue SE.:				
1927	546.00	338.76	207.24	
1928	546.00	288.74	257.26	
1929	553.50	315.05	238.45	
1930	576.00	238.98	337.02	
1931	576.00	181.08	394.92	
1932 to date	504.00	227.93	276.07	48.00
	3,301.50	1,590.54	1,710.96	
Garages on lot 19, square 947, southeast corner of Tenth and D Streets SE.:				
1927	180.00	43.45	136.55	
1928	165.00	34.92	[1] 130.08	
1929	73.70	44.93	28.77	
1930	80.00	42.77	37.23	
1931	118.00	39.62	78.38	
1932 to date	85.00	62.33	22.67	
	701.70	268.02	433.68	

[1] 2 garages, $5 each.

Mr. BRINKMAN. We can take these houses up one by one. We can take the house at 400 Ninth Street SE. It shows net receipts after deducting all expenditures in a period of less than six years from 1927 to November 25, 1932, of $2,682.

Mr. WHITEFORD. Net receipts?

Mr. BRINKMAN. In six years for that old house, as compared with the probable original cost of $1,800.

Then we take the house at 405 Tenth Street SE., which probably cost $1,800, from the best information we have, and it returned $1,425 in a similar period, or close to the amount originally invested.

The house at 902 Pennsylvania Avenue shows net receipts in that period of $1,602.

The adjoining house, 904 Pennsylvania Avenue, net receipts of $1,157.

The next house, 906 Pennsylvania Avenue, $1,419.

Nine hundred and eight Pennsylvania Avenue, $1,852 in a period of approximately six years.

Then the next three houses yielded in less than six years more than $1,700 each net, after deducting all expenses, or very nearly what they cost half a century ago.

There are other houses in the group, and we will insert the whole tabulation, which shows similar returns. Only two of the houses show net receipts of less than $500.

One of the houses shows $391.27 and the other shows $442.36.

Mr. WHITEFORD. You mean in six years?

Mr. BRINKMAN. Yes.

These statements do not reflect the actual profits on the houses.

I noticed the expenditures listed by the trust company were extraordinarily large and I therefore asked them for an itemization of those expenditures. I found, for instance, that they included the entire electric wiring of the houses. Here is the house at 403 Tenth Street, and they not only entirely repapered the house in the year 1929, but they wired the whole house for electricity, deducing that as operating expense, $117.50 for wiring.

Then the house at 405 Tenth Street—they wired that whole house in 1929, deducting it as an operating expense.

Here is the house at 902 Pennsylvania Avenue. They deducted $190 in the year 1930 for wiring that house for electricity, and they have deducted as operating expense the cost of almost rebuilding these houses—plastering, ceiling, and doing all sorts of things of that kind. Nevertheless, in spite of those extraordinary expenses, which have been placed in the record, they have had almost 100 per cent return in the case of many of those houses in a period of 6 years, after the houses had been in use almost 50 years.

Now, the fact is that house rents for people of moderate means have come down very little. That is shown by the Bureau of Labor computation which is in the record. Rents have only gone down 12 cents a month per room. Those figures are shown in the Bureau of Labor compilation.

We have the returns of John F. Donohoe, 314 Pennsylvania Avenue SE. They replied to my questionnaire. Donohoe & Sons manage property, houses, and apartments in this section of the city surrounding the Capitol, and in many cases they show practically no reduction in rents.

For instance, the property at 308 East Capitol Street, a couple of blocks from here, they show the rents the same on October 1, 1932, as they were on January 1, 1932.

Then the property at 309 Fourth Street SE., the amount of reduction from January 1, 1928, to October 1, 1932, a period of more than four years, there was a reduction for the whole building of $40.

For 220 Fourth Street SE. the amount of reduction in the 4-year period was $5, not for each apartment but for the building.

For a 4-year period, or four years and a half, the building at 32 Third Street SE., the Germania, the amount of reduction in that period was $12.50 for the whole building.

Mr. RUSH. How many apartments are in that structure, or is that an apartment?

Mr. BRINKMAN. It is apparently a 4-apartment building.

Mr. RUSH. You conflict with houses and apartments.

Mr. BRINKMAN. These are small apartment properties in the southeast section.

Mr. RUSH. We were discussing houses, and you did not differentiate.

Mr. BRINKMAN. We were getting down in a general way to houses occupied by poor people of the city—the laboring class of the city.

Mr. RUSH. You did not differentiate between the fact you were discussing the house rents and then you went into this Donohoe matter.

Mr. BRINKMAN. I am glad to have you clarify that.

That bears out the statistics of the Labor Department, which we have already put in the record.

Here is a 12-apartment building, handled by Donohoe, at 310 East Capitol Street, about three blocks from the Capitol, 12 apartments in the building. The total reduction between January 1, 1928, and October 1, 1932, for those 12 apartments is $10 a month.

Mr. WHITEFORD. $10 a month?

Mr. BRINKMAN. Yes.

We have already put in the record the house or flat rentals charged by the subsidiary of Saul Co., the Franklin Investment Co., and the General Realties Co., showing high returns on houses and flat buildings.

The CHAIRMAN. What information have you as to the extent of vacancies in residences?

Mr. BRINKMAN. They show a very low percentage of vacancies in residences. The police department made a survey and showed very few houses vacant. That is in the record. It showed comparatively few houses vacant, considerably less than the number of vacant apartments. The houses are pretty well filled up.

There is a point which is interesting in connection with the operation of these apartments by the agents. The agents in many cases write the insurance on the apartment properties, hundreds of thousands of insurance. The report of the superintendent of insurance for the year 1929 shows that during the 10 years from 1919 to 1929 the premiums received for fire insurance in the District of Columbia were $24,807,141.67. During the same time the losses paid for fire were $8,547,459.20. In other words, 34⅖ of premiums received were paid for losses. That compares with 51.5 per cent loss ratio in other parts of the country; that is, the United States as a whole.

Senator KING. Do they have the same rates here that they have in other cities?

Mr. BRINKMAN. I could not say.

Mr. RUSH. No, sir; they vary in various parts of the country.

Mr. BRINKMAN. They are only paying out in losses one-third of what they are receiving in premiums, and the apartment managers and real-estate agents here are the insurance agents also, and naturally they receive a commission on the fire insurance they write. They will not try to reduce that profit to themselves by reducing insurance rates very materially.

Mr. WHITEFORD. How could the insurance brokers reduce the rates when they are fixed by the underwriters?

Mr. BRINKMAN. They could make a concerted appeal to the insurance companies to reduce the insurance rates. It is to their interest to keep their insurance rates high, because their commission is based on the insurance rates.

Senator KING. Would not your figures indicate that the committee ought to take cognizance of these high rates and provide that they should be lowered?

Mr. BRINKMAN. I would think so.

Senator KING. I remember the matter was before the committee several years ago, and I felt then the insurance rates were entirely too high, and I still think so.

Mr. BRINKMAN. They are three times the amount of losses.

Senator KING. I am not sure I would impute to the real-estate agents any impropriety in their acting as agent. Somebody has to act as agent, and I am not so sure but what they are just about as good as other insurance agents, or just as bad, whichever way you want to indicate it.

The CHAIRMAN. The owners ought to be interested also in getting these rates down.

Senator KING. As the attorney mentioned a moment ago, those rates are standard and are fixed by a board. I think that board is more or less of a monopoly to these insurance companies. There have been complaints of the method by which rates are fixed for fire insurance. However, proceed.

Mr. BRINKMAN. There is information in the form of the review of business issued by the National City Bank and the financial writers in Wall Street on the need for reducing interest rates. For instance, Arthur C. Holden, of New York, who attended a meeting at the Department of Commerce, stated a reduction of 1 per cent in interest would be equal to a 10 per cent reduction in construction costs. In other words, if you reduced your interest costs to the apartment owners, they could make a substantial reduction to the tenants without impairing their own profits.

It was stated recently that the Reconstruction Finance Corporation should lower its interest rate, and since that the Reconstruction Finance Corporation has reduced its rates very substantially. They called it a "Christmas present," and some of their new loan rates are as little as 3 per cent.

I was informed by Mr. Schneider, of T. F. Schneider Corporation, that own a number of apartment buildings, that 25 years ago they secured loans on their apartment properties at 4 per cent. Now 6 per cent is paid in many instances, and in addition there is the com-

mission paid, the bonus paid, and in that way the cost is greatly increased to the apartment owners, and that cost, as we have shown this morning when you were not here, is passed on to the tenants.

We found in the case of Alban Towers that they paid a commission of $24,000 for a loan and paid a bonus.

Senator KING. To whom?

Mr. BRINKMAN. It is not shown, but Mr. Bowie, I think, stated—he did not state to whom the bonus was paid.

Senator KING. From whom was the money obtained?

Mr. BRINKMAN. From some insurance company. I think he said the New York Life Insurance Co.

Mr. BOWIE. I did not make a statement.

Mr. BRINKMAN. Did not your firm finally handle the Alban Towers?

Mr. BOWIE. No.

Mr. BRINKMAN. It was a statement of Randal Hagner Co., which is agent for the property, and showed commission of $24,000 for new loan, a bonus of nearly $12,000 for paying off the old loan, and an expense of $2,400. That is charged in one year against the tenants in the building, and amounts to 8 per cent of the total rents collected for that building.

I think you asked to have that developed, Senator.

Senator KING. In your investigation have you discovered the principal source of money for these apartment houses in Washington?

Mr. BRINKMAN. The insurance companies, and then there are two firms here that sell notes, the Rust Co., and Saul Co. They buy large issues of notes, mortgages, and then they parcel them out and sell them. Formerly that was also done by Swartzel, Rheem & Hensey——

Senator KING. Which insurance company is the principal loaner?

Mr. BRINKMAN. I would not want to say. I did not investigate that.

Senator KING. If you did not investigate it, do not discuss it.

Mr. BRINKMAN. Maybe the Metropolitan or the New York Life. There are four principal ones operating here, the Metropolitan, the New York Life, the Prudential, and another one that I do not recall just now.

Senator KING. I was wondering whether the increase in the rate of interest charged to those who obtain money for building purposes was not in part due to the increased taxes in not only Washington but elsewhere.

Mr. BRINKMAN. I do not think so. I do not think the taxes have anything to do with the rates charged for money.

Senator KING. I would think it would, if the taxes are upon real estate or if you taxed intangibles or taxed mortgages, it would certainly seem to me that it would affect the rate of interest.

Mr. BRINKMAN. The insurance companies have for a number of years conducted campaigns of their own to keep taxes down on their own funds, or the buildings in which they have funds invested. I think they have succeeded pretty well in keeping down taxes on insurance-company assets, and the return they receive probably has not been diminished by taxes a great deal. I would not want to say positively.

Mr. WHITEFORD. Senator, I have a little information like you get on the street with respect to that bonus which was paid in connection with Alban Towers. Originally that loan was made by the Saul Co. when the building was built, and it was contemplated at the time by the builder, David A. Barry, that an addition would be built to the building, that they would acquire the land to the south and build an addition. When the loan was made the Saul Co., of course, was selling the notes to dozens or hundreds of note holders—you buy a note and make an investment, and you may go to Europe, you may want the money to stay put, and there is a provision put in those notes—it is frequently done, if it shall be paid off sooner than the period is to run, a commission of a certain amount shall be paid, one-half of 1 per cent, and that provision was put in the notes in this instance.

That loan was about, as I recall it, around one million or one million one.

Subsequent to that time, after that loan had been on there for perhaps a couple of years, Mr. Barry acquired the property, built the addition, and got a new loan from the New York Life Insurance Co. The original loan was 6 per cent. I think the loan from the New York Life Insurance Co. was 5½ per cent. A client of mine was considering buying the property after the New York loan was on. The new loan was 5.5, and I think was $1,400,000, the whole project.

Now, then, of course, when Mr. Barry wanted to pay his loan he could save money by doing so. He had to pay this one-half of 1 per cent, and on this loan it would run 10 years at 5.5 per cent—if he could pay off the old loan he was that much ahead.

That 1 per cent does not go to the Saul Co. That 1 per cent goes to the holders of the notes, and the Saul Co., of course, has to get those notes in, and in the meantime people die and a lot of those notes are in estates, they are in the hands of people that are in Europe and elsewhere, and the notes are back home in the safety deposit boxes. There is a great deal of trouble in getting in loans of that character. But that 1 per cent goes to the note holder. Whatever the percentage is it goes, as it did in this instance I am sure, to the note holder, because it is not the practice of the offices to take that commission, but the reason that percentage is put in there is that if the investor must take his money before he elects to do it, he has got to invest it again, and he does not want to bother the investment. He would prefer not to have it paid off.

That is one reason why that extra percentage is in there.

Senator KING. On the same principle, many bonds issued by corporations and municipality are callable, or for that matter the Government itself, at an earlier period than the extreme date mentioned in the bond or mortgage.

Mr. WHITEFORD. That is what that is here, and it was to the advantage of the builder, having gotten a lower interest rate, to call these notes in and pay them off, even if he did have to pay a small bonus.

Mr. BRINKMAN. The fact remains Randal Hagner's statement shows in one year the tenants were charged more than $16,000 for financing charges on the building.

Mr. WHITEFORD. It came out of the gross income.

Mr. BRINKMAN. It came out of the tenants, because it was charged against their rents before figuring a profit on the building.

I desire to take up another matter. I secured, because of many complaints about the terms of leases, many leases from the principal rental agents, the larger ones—Randall Hagner, Boss & Phelps, the Bliss Properties, Shannon & Luchs, H. L. Rust Co., B. F. Saul Co., Cafritz Co., and others—I secured copies of their forms of leases on apartment houses.

There have been complaints about the provisions of the leases, and I do not think it is necessary to insert these leases as part of the record, but they are available to the committee. They are part of the committee's records.

I have summarized some of the provisions of these leases there.

Senator KING. What were the complaints?

Mr. BRINKMAN. The complaints were that many of the tenants were threatened with seizure of all their household goods, or the holding of their household goods when they were obliged to move, even though the District laws provide an exemption of $300—the agents refused to let the furniture be moved.

Then there was complaint that when a man died, his widow, with children, could not move from the building, because they attempted to hold her to the lease that her husband had signed.

Mr. RUSH. Were those personally investigated by you as to their location?

Mr. BRINKMAN. I checked the leases. In one case I attempted to argue an owner of an apartment building into allowing a women to move her household goods, and I was not successful.

Mr. RUSH. He was not a member of the real estate board?

Mr. BRINKMAN. I do not know.

I would like to summarize all these leases, so that the record will be complete.

A number of the real estate agents and owners have made an effort to circumvent the exemptions allowed by the law by incorporating in leases which tenants are required to sign provisions which waive the benefit of all exemptions allowed by law and attempt to give the landlord a chattel mortgage on all household goods, clothing, and other personal property of the tenant.

Some of the leases give unrestricted right of entry to the landlord and authority to detain property of the tenants without legal process.

Many of the leases contain provisions exempting the landlord or his agent from liability for negligence in making or failing to make repairs resulting in injury or damage to tenants or guests.

These leases contain an exemption from any liability, as I say, in case the landlord fails to repair a stairway, for instance. If the tenant falls down, the landlord is not liable.

There are also provisions in the leases relieving the landlord or agent from any liability for the safe-keeping of goods of the tenant placed in apartment-house lockers, even though loss or damage may result from negligence of the janitor or other employees of the apartment house.

In many of the leases are provisions binding the heirs, executors, and administrators of a tenant who dies for rent that may accrue under the lease after death, so that a widow, with children, deprived of support by the death of the breadwinner may find herself loaded with an obligation that will consume what little estate has been left, though she has vacated the premises.

Numerous leases provide that if tenants move before the expiration of the whole term they may be sued immediately for all installments of rent due in the future, despite the fact that the landlord ordinarily is legally bound to endeavor to rent the apartment to some one else.

An instance was called to the committee's attention of a landlord who required the prospective tenant to make out a bill of sale covering all household goods, to insure payment of future rent during the term of the lease.

Other leases relieve the landlord of liability for failure to furnish heat or elevator service, and for loss or damage to the property of the tenant caused by defects in the roof, plumbing, etc.

It is a matter of record in the office of the health officer of the District of Columbia that many tenants of apartment houses are not furnished with sufficient heat and have no adequate redress at law now.

It is also a fact, susceptible of exact and convincing proof, that many Washington apartment houses are in an unsanitary condition, overrun with vermin of formidable numbers, variety, and size.

Generally speaking, the leases used in the District of Columbia contain every protection of the landlord's interest and every little, if any, protection for the tenants.

For instance, if the roof leaks and ruins your furniture, you will be unable to collect any damages from the landlord, even though he has been notified of the condition. The health office of the District of Columbia has received many complaints about failure to furnish sufficient heat. There is not any law on that subject.

Senator KING. Is that the case where the contract calls for heat?

Mr. BRINKMAN. The leases in many cases do not require the furnishing of heat. There is no provision in the lease specifically covering that.

Senator KING. I suppose there are some buildings where the landlord does not furnish the heat.

Mr. BRINKMAN. In small flat buildings. Where he does furnish heat there is no provision requiring him to. He does it as a matter of course, and we have received complaints that heat is insufficient, which is a menace to health, especially to children.

That brings me to the conclusion of the information that I thought proper to present to the committee, except I would like to incorporate in the record a letter from James H. Douglas, Assistant Secretary of the Treasury, showing the amount of money in the Government civil-service retirement and disability fund.

There is a total of $224,349,395 accumulated by the employees in their retirement fund, which the Government of the United States uses and credits with approximately 4 per cent interest.

The reason I would like that in the record is the fact I have recommended certain things to the committee, and one of those recommendations is that some of that money be made available as loans to Government employees for financing their own apartments or houses.

(The letter referred to, with statement thereto attached, is as follows:)

TREASURY DEPARTMENT,
Washington, D. C., December 12, 1932.

Mr. O. H. BRINKMAN, *Counsel,*
Senate Subcommittee Investigating Rentals in the District of Columbia, Washinton, D. C.

SIR: In reply to your letter of November 26, 1932, requesting certain information for use at hearings of the subcommittee of the Senate investigating rentals in the District of Columbia, under the provisions of Senate Resolution 248, Seventy-second Congress, first session, to commence in a few days, you are advised as follows:

There is inclosed a statement showing a summary of the transactions under the civil-service retirement and disability fund from the effective date of the retirement act on August 1, 1920, to October 31, 1932. The total amount deposited in the Treasury on account of deductions from basic compensation of all employees subject to the retirement act to October 31, 1932, was $270,227,897.63. The Treasury does not keep a separate account of the deductions from salaries of departmental employees stationed in the District of Columbia.

Investments for account of the retirement fund are made in special issues of Government obligations bearing interest at the rate of 4 per cent per annum, payable on June 30 in each fiscal year, or on earlier redemptions. The considerations involved in the present procedure for making investments on account of the civil-service retirement and disability fund are explained in the annual report of the Secretary of the Treasury for the fiscal year 1926.

The average rate of interest paid during the fiscal year ended June 30, 1932, by the United States upon its obligations was 3.571.

By direction of the Secretary:
Respectfully,

JAMES H. DOUGLAS,
Assistant Secretary of the Treasury.

Civil service retirement and disability fund October 31, 1932

CREDITS

	Aug. 1, 1920, to Oct. 1, 1932
On account of deductions from basic compensation of employees and service credit payments	$270,227,897.63
Appropriation from general fund of Treasury	103,450,000.00
On account of interest and profits on investments from Aug. 1, 1920, to Oct. 31, 1932	39,968,820.74
	413,646,718.37
Less: Disbursements on account of annuities and refunds	169,297,323.15
Total	244,349,395.22

ASSETS

		Principal cost
$22,695,050	face amount fourth Liberty loan 4¼ per cent bonds	$22,399,454.01
46,700,000	face amount of 4 per cent special Treasury notes, payable June 30, 1933	46,700,000.00
35,800,000	face amount of 4 per cent special Treasury notes, payable June 30, 1934	35,800,000.00
32,400,000	face amount of 4 per cent special Treasury notes, payable June 30, 1935	32,400,000.00
64,200,000	face amount of 4 per cent special Treasury notes, payable June 30, 1936	64,200,000.00
41,600,000	face amount of 4 per cent special Treasury notes, payable June 30, 1937	41,600,000.00
243,395,050		243,099,454.01
	Unexpended balances to credit of disbursing officers $1,198,378.81	
	Fund (division of bookkeeping and warrants) 51,562.40	1,249,941.21
	Total	244,349,395.22

Mr. BRINKMAN. If the committee is agreeable, I can read these recommendations into the record. They are simply my own recommendations for the improvement of conditions here.

Before doing that, however, I desire to have the letter from Mr. Douglas, with the accompanying statement, incorporated in the record.

(The latter and statement referred to are set forth in the record above.)

The CHAIRMAN. I think we ought to have your recommendations.

Mr. BRINKMAN. They are my own and not the committee's. I expressly state in my report that I feel quite sure the committee will not accept all of them, but they are offered merely tentatively for the consideration of the committee. [Reading:]

1. That, in accordance with the terms of Senate Resolution 248, the evidence developed of the violation of the Federal antitrust law be called to the attention of the Department of Justice, and if prosecution is not commenced within a reasonable time or notice not given to the committee that prosecution will be instituted that the Attorney General of the United States be invited to appear before the committee to discuss the matter.

2. That no more appropriations shall be made for the acquirement of parks, the construction of costly buildings to house the District government in the proposed municipal center, or for other nonessential purposes until adequate appropriations shall have been made for the construction, by public authority or by quasi public corporations with Government financial support or tax-exemption subsidy, of decent housing accommodations for alley residents, the alleys then to be closed for habitation purposes.

3. That the Government supply a revolving fund, possibly out of employees' own funds now accumulated for retirement purposes, to be loaned to nonprofit corporations formed by employees at an interest rate always exceeding by one-half of 1 per cent the highest amount the Government pays on its own borrowings——

Which that letter shows to be 3½ per cent, and the money would be available to employees at approximately 4 per cent. [Continuing reading:]

For the construction of reasonably priced housing accommodations, to be rented and sold to Government employees only, under proper supervision and regulation.

4. That a period of emergency be declared by Congress, during which there shall be a moratorium of six months on the foreclosure of mortgages or deeds of trust in the District of Columbia, with an effort in the meantime to enact into permanent law such provisions protecting mortgage borrowers as the Senate approved some time ago through passage of what was known as the Blaine uniform mortgage bill.

5. That specific authority be given to judges of the municipal court to stay the execution of writs of restitution in cases where immediate eviction would cause great hardship.

6. That the eviction laws be amended to prevent the execution of writs of restitution issued for nonpayment of rent where at any time before eviction is completed the tenant shall pay the rent due and court costs of not more than $1.

There is some additional evidence here that landlords are serving people with eviction notices every month, charging them $2.10, whereas the court costs are only $1.85. I do not think it is necessary to insert that. [Continuing reading:]

7. That the exemption and lien laws be modified so that household goods, clothing, etc., of reasonable value shall not be subject to detention or seizure by landlords despite any agreement to the contrary.

8. That other unfair and unjust provisions of leases be declared invalid as to contracts made after passage of the remedial acts.

9. That the usury statutes applying to the District of Columbia be broadened, clarified, and strengthened with heavy, mandatory penalties of imprisonment.

The only penalty for usury is the forfeiture of the excess interest. You do not forfeit the legal interest, just the excess interest. In other words, it is no penalty at all. [Continuing reading:]

10. That the laws prohibiting restraints of trade and commerce applying to the District of Columbia be strengthened, such restraints to be declared felonies instead of misdemeanors, and mandatory prison sentences imposed on violators.

11. That Congress declare that a condition of emergency as to housing exists in the District of Columbia, and further declare that housing is a public utility, vesting authority in a housing division of the Public Utilities Commission to regulate rents during a period of two years, and to regulate other matters relating to housing in the District.

I conclude the report with this statement:

It is fully realized by the undersigned that the committee may be wholly disinclined to recommend to the Senate such a broad and even radical program of corrective and remedial action, but it is hoped that the committee may find in the above list of suggestions some that merit consideration and adoption.

So-called private initiative since the termination of the rent commission has failed utterly to provide the Capital of the Nation with decent and reasonably priced housing accommodations for employees of the Government and thousands of others necessarily living in the District of Columbia. For that reason it would seem reasonable and proper for the Government to exercise its power, based on duty, to protect the welfare of the people.

I think in conclusion I may say that we have made a record in these hearings that will support any law passed by Congress, and will furnish a proper basis for upholding such a law by the courts. We have shown that there is a great public need here. That need may not be apparent to us sitting around the table, but if you go in the highways and byways, that need will become apparent when you see the kind of housing that people are living in, when you consider that nearly 40,000 eviction cases were brought this year, and when you consider what the situation is with respect to the relief needs of the people, the actual charity needs of the people, it becomes apparent to everyone that something should be done to bring down the cost of rents in the District of Columbia.

I want to thank the committee for its consideration, and I want to thank also Mr. Ring for the help he has given me in this work.

Mr. LUSK. Could I make a correction in the case of Alban Towers?

Mr. Brinkman spoke of a bonus that was given to pay off the loan, a bonus paid for a new loan. He said those two items were charged in one year.

I have the statement that that bonus for paying off the loan was charged off in 1931, $11,462.50, but the bonus for the new loan, $24,000, was also charged off at the rate of one-tenth, meaning that $2,400 was charged that year. That makes a difference of $21,600, which very materially would affect the net income in that year.

Mr. BRINKMAN. I put it into the record as it is. I said the amount charged in one year was approximately $16,000 and that the $24,000 was divided over a period of 10 years, but part of the $16,000 was $2,400 for the year for the bonus. It is in the record as it is. There is no correction necessary on my part.

Mr. EUGENE WILLIAMS. Are you making any recommendation as to the lack of redemption clause?

Mr. BRINKMAN. Yes, sir. I have recommended a 6-month moratorium, and then passage by Congress of a bill similar to Senator King's or Senator Blaine's bill. Senator King's bill was satisfactory,

which put foreclosure in court, under the supervision of the court, and that would guarantee some measure of justice.

Senator KING. I would not permit foreclosure except by judicial process, and then I would allow six months to a year.

Mr. BRINKMAN. The bill you drew was simpler than mine, and if that could be enacted it would help greatly here.

FURTHER STATEMENT OF C. C. MAYER

Mr. MAYER. To controvert and uphold both sides, I maintain a middle course in this controversy.

I would like to cite two typical cases, and I would like to present figures where a 15 per cent rent reduction is very practical.

In regard to old properties, Mr. Brinkman spoke of several. I bought one built about 63 years ago from the original purchaser, 1820 G Street, paid $4,000. That is, these properties were sold to me for $7,000. The original purchaser paid $4,000. The increase was mostly in land. I sold the succeeding purchaser at nine, improved the properties at an expense of approximately $4,000 each, and rents are now on a valuation of $12,000 to $13,000 investment. So whatever rents are paid would seem to me in a competitive market to be fair at the present time.

In regard to another property on K Street, I mentioned the other day, where the rent commission put a valuation of $92,000 on it——

Senator KING. An apartment house?

Mr. MAYER. Yes.

The CHAIRMAN. This is a property in which you are interested?

Mr. MAYER. I own them; yes, sir; 30 units. The return has averaged about $12,000 a year.

Senator KING. Gross?

Mr. MAYER. Gross.

The first-trust interest, $3,300, taxes $1,500; renewal and incidental, titling, other expenses, $200; that gives $5,000, or 40 per cent of the income, a little over 40 per cent.

Senator KING. The expenses would be 60 per cent?

Mr. MAYER. The balance would be 60 per cent to cover equity and other expenses.

Senator KING. Do you allow anything for depreciation?

Mr. MAYER. No, sir. Rent collections, $600. Resident manager now costs, since I sold it, $600. Vacancies now run about $1,200. That is $2,400 more added to the $5,000, which is $7,400 out of a total income of $12,000, 67 per cent.

Then there is the janitor, $600, coal $600, insurance, lights, and miscellaneous, $600, another $1,800 added to the $7,400, which makes $9,200, leaving $2,800 margin for the equity owner.

Senator KING. Nothing for depreciation?

Mr. MAYER. And depreciation to come out of that $2,800. Two thousand eight hundred dollars is 3 per cent on the Rent Commission's $92,000, so the equity owner is out on the end of a limb, like most equity owners here. The property was foreclosed and bought in by the second-trust holder for $60,000, assessed value, $84,000; approximate value, in my estimation, around $70,000, so that is about 75 per cent of the Rent Commission's valuation—$70,000 against $92,000, seven-ninths.

The CHAIRMAN. You think there is no basis for the demand of the Government employees for a reduction in rents?

Mr. MAYER. Yes, sir; I think there is a very strong basis, and I suggest a 15 per cent reduction in rents to be taken from such items as the first-trust interest charges, which, according to Mr. Brinkman's suggestion, if adopted, to get the use of some Government money at 4 per cent which——

Mr. BRINKMAN. It is not Government money. It is the employees' own funds, $244,000,000 that they have contributed out of their salaries.

Senator KING. The Federal Government has been paying millions every year to that retirement fund.

Mr. BRINKMAN. This would be a loan, not a donation.

Senator KING. You say that is the Government employees' money. I am not so sure about that, because the Government has contributed millions.

Mr. BRINKMAN. Yes; it will contribute more than the employees, but this would be a loan.

Senator KING. It would seem to me the Government would be called upon to pay a billion dollars within a few years.

Mr. BRINKMAN. That is probably true.

Senator KING. The employees get it back again, and more. The Government is out hundreds of millions of dollars. Ostensibly the employees are paying their own retirement fund, which is not true. The Government is paying it.

Mr. BRINKMAN. This would not change the situation at all. This would not do anything other than help the situation. It will allow the money to be loaned.

Mr. WHITEFORD. Why that fund should go in the real-estate business I do not see.

Senator KING. That is a matter which is too controversial for consideration in the meeting now; I mean as we are talking now. It will be something for the committee in the future.

Mr. MAYER. Four per cent would be ample to pay for first-trust money, when nobody else concerned in the property is earning that much, except the commission men, who get 5 per cent, an abnormal fee; in addition to which resident managers are required, and they average about 5 per cent, which is saddled on the property.

Senator KING. This property to which you have just referred cost $92,000?

Mr. MAYER. That is the value that was put on it by the Rent Commission.

Senator KING. And you have figured it was approximately $2,400 that would be left after paying certain charges and allowing nothing whatever for depreciation?

Mr. MAYER. Yes, sir.

Senator KING. Now——

Mr. MAYER. $2,800, that was.

Senator KING. That is 3 per cent you have stated?

Mr. MAYER. Yes.

Senator KING. On a $92,000 value?

Mr. MAYER. Yes.

Senator KING. Nothing allowed for depreciation, and if you reduced that 15 per cent what would the return be to the owner?

Mr. MAYER. That would be $1,000 balance.

Senator KING. On $92,000?

Mr. MAYER. Yes.

Senator KING. That would be less than 1 per cent.

Mr. MAYER. Yes; but his income here, including the depreciation, is a possible 3 per cent.

Senator KING. You think if the committee or the Government may declare a mortgage at an interest rate of 6 per cent is so invalid and so tainted that the Government can interfere and rewrite that contract?

Mr. MAYER. Only along the lines that have been indicated by the action of the Reconstruction Finance Corporation in reducing rates. The Government pays 1 per cent for money now, and we are going to have a change in the money system. We will have silverbacks as well as greenbacks and goldbacks.

Senator KING. Let us not enter into a discussion of that. I should be glad to see bimetalism given to the world, but, unfortunately, my wishes will not be realized.

Mr. MAYER. If we had 2 per cent reduced from 6 per cent mortgage charge, it would bring it somewhat near the equity owner, where he would possibly be able to get $1,100 in this case. If we had a 20 per cent reduction in taxes, it would be $300; renewal charges on loans, $200; and commissions, instead of 5 if it were 3 per cent, would run $240 less, making a total of $1,840, which is 15 per cent, without cutting the equity owner out of the picture entirely.

Mr. CHAIRMAN. I would like leave to have copied into the record a couple of pages, to follow up the remark of Senator King the other day in regard to greenbacks.

Senator KING. I said fiat money.

Mr. MAYER. I would like to leave my answer to Senator King on that.

Senator KING. Leave your statement with the clerk and if it is pertinent it will go in the record.

(The further statement of Mr. C. C. Mayer is as follows:)

Not the printing of greenbacks as commonly understood. Not in the trillions, nor for destructive purposes, but to a moderate extent for constructive purposes, extending the authority already granted by Congress at its last session.

I am also in favor of printing silverbacks as well as greenbacks and goldbacks.

The Government never has been out of the business of printing greenbacks, with various underlying bases of security, since the original issue. The current Seventy-second Congress itself has authorized the greatest issue of greenbacks in history.

A substantial issue of greenbacks currently will doubtless prove to be the most enlightened advance toward the promotion of an orderly and equitable civilization any Congress has ever made. No financial legislation since or before the Civil War contains the possibilities of an equitable distribution of money and the general, undictated, decentralized use of capital as Senator Borah's amendment to the home loan bank act, which became the outstanding and one distinguishing feature of the Hoover gesture to aid home owners.

Upon the passage of the national bank act Lincoln feared and foresaw the "Aggregation of capital in the hands of a few" and foretold a condition that Congress has allowed to develop.

The demonetization of silver in 1873, the surrender of Grover Cleveland and Treasury Secretary John G. Carlisle, 1893, to Morgan's London-allied dictation of a gold bond sale, to his syndicate, with recurrent monopolistic concentration and demoralization of money and credit by banksters, banketeers,

bankcure and allied international hi-jackers, explains extensively our present financial debacle.

The Vreeland Act, that temporarily served the inflationary purposes of monopoly bankers pending adoption of the Federal reserve act, like all our financial legislation, limited the use of money to the control of a few banks and bankers.

The Jacob-Coxey plan, 1893–94, of an honest, Government-guaranteed currency system, based on the Government's bond-issuing integrity differs not at all in principle from Senator Borah's home-loan amendment to convert some United States bonds into greenbacks. In recent months Arthur Brisbane has been a persistent advocate of this kind of an honest currency system. Plutocratic monopolists and their servile newspaper press made Bryan's valiant espousal of silver money to compete with gold money impossible of adoption. We need silverbacks and greenbacks as well as goldbacks.

Senators King, Pittman, Wheeler, Ashurst and others are entitled to many times as much respect and consideration for the monetization of silver than are Mellon, Morgan, Rockefeller, Baker, Owen Young, Baruch, Meyer, Raskob, et al., in their schemes to continue the exclusive dominance of "gold, gold, yellow and cold."

To deal with French repudiators, Switzerland, and a few other millions of people we need to use gold as a medium of exchange. To deal with twenty or more times as many anxious buyers among the teeming tens of millions of oriental peoples who would not quibble or welsh on paying in the only coin of the realm they accept as standard we need silver. To deal with Brazil for coffee we may need wheat tokens or equivalent, instead of outright barter as recently used by the administration. To deal freely among ourselves, throughout our 48 States and possessions, 90 per cent of all our trade, we need honest Government tokens instead of dishonest, international gold tokens. Not merely tokens protected by the cotton, wheat, wool, gold, and silver production and other assets of the United States but by rigidly restricted and secured Government bonds such as the home-loan amendment provides.

With an honest Government currency system that Congress will be ready to develop in sight, it should not be desirable to adopt any temporary measures against exploited equity owners of property here or elsewhere. Millions of them have already been crucified financially.

The ready availability for circulation of honest Government money should accomplish the purpose Congress desires in competitive rental charges by greatly relieving the pressure of loan and finance charges and by opening up the freer, less costly use of money so that open competition and lower interest rates will make possible lower rents without further demoralization of real estate and confiscating property assets of countless equity owners as has been done already to an annihilating extent.

Ninety per cent of our long-established currency (bank credits) has been repudiated to a most critical and devastating degree. The way out is not through further restrictive measures to minimize the ownership of property or the circulation of money. Physicians no longer cure anemic patients by restricting circulation or bleeding them to death. Sixty million people in dire distress and 60,000,000 more very much financially crippled need a new infusion of blood or money circulation on a basis that comprehends the Borah home-loan amendment, the Coxey and Bryan plans.

Unquestionably rents are too high. Unquestionably interest rates and renewals are high. Mortgage owners and their commission agents, Government protected and supported through the Reconstruction Finance Corporation and other governmental agencies are the only beneficiaries in property ownership here. A fraudulently foundationed and manipulated banking and currency system, controlled by our stock exchange masters, with seventy-five billions of inflation and deflation under the stimulus of Coolidge and Hoover on the New York Stock Exchange alone, robbed 25,000,000 Americans of their savings, I beg to repeat, as disclosed by Senator Norbeck's committee investigating stock market frauds.

Our present tragic conditions, prostrating tens of millions of people, are the result of conscienceless and ruthless promotions and madhouse manipulations of our fraudulently foundationed currency system developed and precipitated by international and domestic banksters who also engineered us into the Great War. Their purpose and results enabled a few to gain and control thousands of millions of dollars and on an artificial, monopolistic basis.

Reducing salaries, wages, services, and rents will merely further aggravate our tragic distresses with further destructive policies. Landlords, the equity owners of real estate here and elsewhere, already belong with the miserable masses of 120,000,000 mostly prostrated Americans. First-mortgage interest and renewal charges and taxes here represent more than one-third of the gross income. A cut in interest charges to 4 per cent for mortgage money up to 50 per cent or 60 per cent of valuation or assessed value can be made available to borrowers through the Reconstruction Finance Corporation or home-loan bank provided said borrowers make a reduction of at least 10 per cent in their existing rent charges. Four per cent money would greatly stimulate necessary building activity and employment.

The use of honest Government money, at a low rate of interest, instead of fictionary credit money that has engulfed more than 15,000 of our banking institutions, will relieve distress in the most economical and practical manner. Circulation of money alone will make it possible to relieve starvation and distress without charity. Ninety per cent of all our money, the credit portion of our total bank resources, is in hiding, scared, and refuses or is unable to function The Government must relieve this situation by putting honest Government money into circulation, greenbacks and silverbacks, thoroughly secured, so that confidence and hope and trade will be restored.

Three per cent income approximates the profit of equity owners of real estate, landlords. The Senate has just passed, reasonably, enabling legislation that will permit a new transportation financial set-up and frame-up by notorious outlaw, blue-sky financial jugglers, the North American Co., in control of nearly $90,000,000 of local utility property, pyramided out of usurious earnings. Annual earnings of from 100 to 500 per cent on much less than $5,000,000,000 actual paid-in capital of the Potomac Power Co. (undiluted capital paid in probably not over $1,000,000,000 with more than $5,000,000,000 annual net profits) go uncurbed. Three per cent income on hazardous real estate investments is comparatively pitiful. Excessive and extortionate profits of our power, traction, phone, and gas utilities, if based on actual investment, exclusive of usurious profits and financing, could save 60,000 renters here an average of $100 apiece. This would be equivalent to a 15 per cent saving in rents and help tremendously in the public's pursuit of life, liberty, and happiness.

Mr. BRINKMAN. A few years ago if a widow or a retired business man had $40,000 invested in first mortgage 6 per cent real estate securities, they received $2,400 interest. If they still have the funds invested that way, they still receive $2,400, but the things they buy have gone down. He is receiving more now than he was a few years ago on the basis of what he can do with his income, and, therefore, he ought to be willing to reduce the interest rate to conform with the reduction in the cost of things he buys with that money.

It is not an unreasonable request to ask that interest charges be deflated, the same as everything else has been deflated.

Mr. WHITEFORD. Have you finished?

Mr. BRINKMAN. That is all I have.

Mr. WHITEFORD. We will have to consider what we will want to offer in reply.

The CHAIRMAN. We will meet here to-morrow.

Mr. WHITEFORD. We would like to have as many members present to consider it as we can.

Mr. BRINKMAN. I have overlooked a statement up to now that I desire to have in the record. This statement is a statement of Lieut. Col. U. S. Grant 3d, executive officer of the National Capital Park and Planning Commission. It refers to these poor people who are living in alley dwellings.

This statement reads as follows:

DEATH RATE HIGH

The last complete survey showed an astonishing prevalence of disease and a death rate of 30 per 1,000 in the alley dwellings, as compared with 17.56 per 1,000 in the street population, or nearly double. The death rate for infants under 1 year was 373.49, as compared with 158.86 per 1,000 in the street population. When we come to transmittable diseases, we had a death rate from pneumonia of 310.9 per 100,000 among the white people in the alleys to 117.9 outside, and of 432.8 among the colored alley dwellers to 188.1 outside; the corresponding comparative figures for tuberculosis were 186.5 to 121.2 for the whites and 621.3 to 433.7 for the colored.

The city health officer within the last two years gave the comparative figures for deaths from tuberculosis as 280 per 100,000 in the alleys to 86 in the rest of the city. While the total alley population has decreased very slowly as buildings have become entirely unserviceable or reconstruction has been justified for garages and other commercial use, the worst alleys have persisted and the relative sanitary conditions have become worse.

The CHAIRMAN. We will adjourn at this time until Thursday morning at 10.30.

(Whereupon, at 1.15 o'clock p. m., the hearing was adjourned until 10.30 o'clock a. m. Thursday, December 29, 1932.)

RENTS IN THE DISTRICT OF COLUMBIA

THURSDAY, DECEMBER 29, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The subcommittee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, Capitol, Senator Arthur Capper presiding.

Present, Senators Capper (presiding) and King.

Present also, O. H. Brinkman, Esq., counsel on behalf of the committee.

Present also, Roger J. Whiteford, Esq., counsel for the Washington Real Estate Board.

FURTHER STATEMENT OF O. H. BRINKMAN

Mr. BRINKMAN. I would like about two minutes before Mr. Whiteford begins.

Mr. Lusk introduced this chart on behalf of the Washington Real Estate Board several days ago, and at that time I had no opportunity to examine it.

I think it might be well to comment on that chart, which shows what happens to the rent-payer's dollar.

The CHAIRMAN. Where do you get these figures?

Mr. BRINKMAN. Mr. Lusk submitted them, showing the distribution of, or what happens to the rent-payer's dollar.

This represents the result of his questionnaire, and this chart attempts to show what is done with the gross income from apartments, that is, the amount received from rents.

If you will notice, the chart shows in the last column that after paying all the maintenance charges, the taxes, the fuel, the salaries, the electric current, the repairs, the insurance, miscellaneous expenses of 11 per cent and depreciation of 14.6 per cent, there is left to the landlord 7.6 per cent. That is after paying interest at 6 per cent on mortgages or 60 per cent of the assessed value.

It is a little easier to understand this if you consider it not as a dollar, but as $100 paid in rent. For every $100 paid in rent you can divide this up and see what happens to the $100. It is easier to understand.

If you consider it from that standpoint you find that what the landlord actually receives and puts in his pocket after paying all the expenses, such as taxes, fuel, repairs, insurance, electric current,

and so on, is $7.60, plus the depreciation charge of $14.60, and that makes $22.20. That is what the landlord receives. He is supposed to provide for depreciation out of that, but as a matter of fact the testimony shows they do not set up a depreciation fund, so out of every hundred dollars the tenant really pays the landlord, he puts in his pocket, after paying interest on the mortgage for 60 per cent of the value, $22.20, and in the meantime he is operating this apartment and paying its expenses with 15 apartments out of every 100 vacant—more than 15 out of every 100 vacant.

In addition to that $22.20 that the tenant pays to the landlord after all expenses are paid, he pays $5 of every $100 to the landlord's agent, the real-estate agent, so that really when the tenant pays $100 in rent he is paying more than $27 to the landlord and his agent, plus all the expenses of running that apartment, and plus the expense of paying interest on the mortgage.

I think that ought to be made clear in the record.

The CHAIRMAN. You mentioned the figure of $22.50. Where did you get that?

Mr. BRINKMAN. That is the addition of depreciation of $14.60 for every $100 received in rent, and the figure shown by Mr. Lusk of $7.60, net income, after maintenance and interest, because the fact is, and it has not been controverted, the landlords do not set up any depreciation reserve. They actually put that money in their pockets.

Senator KING. Nevertheless, the depreciation is there.

Mr. BRINKMAN. They have not figured depreciation in arriving at actual income. They have taken assessed value, while we have shown the properties are not worth anywhere near the assessed value because of depreciation in value. There is an amount of $26 of the $100 paid by the tenant that is paid as interest on the first mortgage. For every $100 the tenant pays in rent he has to pay $26 for the interest on the mortgage.

Mr. Lusk is here and he can comment on that if he desires.

That is all.

FURTHER STATEMENT OF ROGER J. WHITEFORD

Mr. WHITEFORD. Mr. Chairman and Senator King, I want to discuss for just a little bit some of the legal proposition that Mr. Brinkman has presented to the committee in his statement during the last two or three days of the hearings.

It seems to me that Mr. Brinkman's statement proceeds somewhat on a wrong premise. He seems to base all of his contentions upon the fact that there are so many poor people arrayed against a certain number of rich people.

There is no virtue inherent in poverty, or no vice inherent in riches, so far as I have been able to see, and his conclusions that he produces here call for repudiation time after time.

He wants a moratorium on trusts to prevent foreclosures and repudiation of the rates of interest that have been agreed upon. I think we have too much repudiation as the order of the day. We do not observe even nations living up to their obligations, and certainly we ought not to be encouraging individuals not to live up to their obligations. We can not wipe these contracts off with a

wave of our hand. They are there and we have to deal with them. We will have to suffer under them, as far as I can see.

Mr. Brinkham, in his statement, drew a number of conclusions from real-estate practices to which he refererd, and I want to show the falsity of those conclusions, because those conclusions are Mr. Brinkham's own conclusions, and they are not statements of fact.

The first one to which I wish to call attention is the free-rent theory.

Mr. Brinkham contends the landlords and the real-estate brokers are unfair, and unkind to the tenants, because the attitude of the Real Estate Board and the real-estate brokers has opposed free rent. He says they oppose free rent because they want to make the hardship all the greater on the tenant, because they want to increase their own income.

Here is the basic underlying reason why free rent is a dishonest proposition.

Senator KING. What do you mean by "free rent"?

Mr. WHITEFORD. When a tenant comes into an apartment or house, in many instances he will sign a lease for 12 months and pay rent for 10 or 11 months. Mr. Brinkham contends the opposition of the real-estate men to that position is unfair to the tenants. The reason is far deeper and better grounded than that. That is not the reason at all.

Here is the answer to the free rent proposition: If I have an apartment house of 100 tenants, 100 apartments, and I sign up 50 out of those 100 for a year's lease, and have give them two months or one month free rent, then the rent schedule of that apartment, which to a great extent is representative of its value, is not true, and when at a later time that building is sold to you or offered to you—you look over the rent schedule and the leases, you see here are these tenants in here at a certain rent, and here are the 12 months leases or 15 months leases, whatever they may be; when you have bought the property, if you buy it on the basis of the income which, of course, is one of the very pertinent factors in the determination of value, what do you find? You find that as to those rents, they are false, because only 10 months rent has been paid where 12 months rent is represented in the lease, and it probably is defrauding to that extent by any person who wants to sell it on that basis.

The Real Estate Board and every fair-minded, honest real-estate broker or man either must oppose that kind of a proposition. It is not fair to fill up a building with a lot of free tenants and sell the building on the basis that it is rented. It is not a square deal, and the Real Estate Board opposed the giving of free rent, and should oppose it. I think all honest men should oppose it.

That is the reason the Real Estate Board resoluted against the free rent in the minutes, of which Mr. Brinkman complains. It has nothing to do with the matter of whether or not the tenant is advantaged.

If the leases should read, if the rent were $100 a month for 12 months, that would be $1,200—if the leases read $1,000, because that is the actual amount of rent collected, then there would be no objection, but there would be no free rent, and that is not the way this free rent business is done. They let them move in a month or 2 months, sign a 12-months lease and pay 10 months rent.

We object to that, and it is not to the discredit of the real estate men that they do object to free rent under those conditions.

The CHAIRMAN. I do not recall that it has been brought out here to what extent that practice prevails.

Mr. WHITEFORD. Senator, there is some of it done, quite a little. There used to be more done than now, because the better brokers are opposed to it. It is not a square deal from the standpoint of fixing the value of the building based upon the rental income that it ought to show.

I heard last summer that the Westchester, just beyond Wisconsin Avenue, gave as high as two months' free rent to the tenants to get them to move in. They sign the leases for 12 months and get two months free. That puts a false value on the property, and it ought not to be done.

So that Mr. Brinkman's contention is wrong with respect to his criticism of the attitude of the real estate brokers on that subject.

Mr. Brinkman complains that the real estate brokers, in support of this conspiracy which he says exists, opposed the advertising in the newspapers, advertising a piece of property for sale and saying "Brokers need not apply." He complains the real estate men had a vigilance committee to examine the newspapers and see that that advertising was discontinued and discouraged. That is true, and it ought to be discouraged, and I will show you why.

The attitude of the real estate men on that question is not that they do not want the individual property owner to sell his property if he can, but fair dealing and proper sales ethics in their mind does not justify the practice that has grown up that produces those advertisements.

Those advertisements for the most part are not from property owners who want to sell their property without selling it through a broker, but here is the practice. The brokers were doing it. For instance, I am a broker. I want to know who wants to buy a house. I put this blind advertisement in a paper. A lot of people have the idea they prefer to buy real estate without it going through the hands of a broker. They think then can buy it cheaper that way. I put an advertisement in the paper, "Fine business property for sale, revenue so much, for sale by the owner, brokers need not apply." I put a box number on the advertisement or a telephone number, where the reader of that advertisement may call. What happens? The prospective buyer writes a letter to the box number, or the prospective purchaser may telephone the number that I have put in there. Immediately I learn that you are a prospect for a piece of real estate, and that is the way brokers get prospects. That is the way those advertisements appear in the paper, an awfully large number.

The CHAIRMAN. Do you think there were advertisements of that kind which were deceptive, for the purpose of obtaining prospects?

Mr. WHITEFORD. The members of the Real Estate Board thought so. They existed. It was done by automobile salesmen, I know. I have called them up myself when I wanted to buy an automobile, but a second-hand automobile. I have answered that kind of an advertisement and have ascertained that I was not dealing with an owner, but that I was dealing with some automobile salesman.

The Real Estate Board says that it objects to that kind of advertising. That is what the resolution of the Real Estate Board meant, and that is what the activity of the vigilance committee was to look after. That was in 1924. I think it was done in 1924, 1925, as I remember it. It has been quite a long time ago. I do not think there is much of that advertising now, but the real estate brokers object to it, and that is the explanation of the thing which Mr. Brinkman criticizes the Real Estate Board for. I say no just criticism is due.

Mr. BRINKMAN. There is no evidence in support of Mr. Whiteford's statement. That is his own statement. Here is the resolution of the board.

Mr. RUSH. The records of the Washington Real Estate Board for the year 1924 show that the vigilance committee at that time with the names of its members was in existence and carried out that work. The card records are carried in the permanent records of the organization.

The CHAIRMAN. Have they a vigilance committee now?

Mr. RUSH. No, sir. That condition does no exist to-day, as far as the brokers are concerned. There is very little of that. It did exist at that time.

Mr. WHITEFORD. The next thing Mr. Brinkman criticises the real-estate men for, the Real Estate Board, is that it discouraged the advertisement in the newspapers of 6 per cent loans without any commission. He said the real-estate men were trying to prevent the making of loans without commission.

Mr. BRINKMAN. Or renewal charges.

Mr. WHITEFORD. Or renewal charges.

The explanation of that is not the criticism he gives us, but the fact was in those advertisements the real-estate house that was advertising those loans represented an insurance company. They got the money at 5½ per cent from the insurance company, and they were advertising they would make loans at 6 per cent, without any commission.

Now, the commission was ½ per cent spread between what the insurance company was willing to lend the money at and the rate they were charging. Over a period of five years, the commission to the real-estate house would be 2½ per cent, which was more commission than the usual and customary commission, and it was a deception. If the insurance company was willing to lend that money at 5½, that is not the way the advertisement should have read. There is no just criticism attributable to real-estate men who opposed that kind of advertising. The Real Estate Board wants the advertising to be true. It wants it to be accurate. And, in reality, the borrower, although he thought he was paying no commission, was paying ½ per cent each year.

Senator KING. Did he understand he was getting money through the broker from the insurance company?

Mr. WHITEFORD. In many instances he did, because he would have to sign the trusts. When he made the loan he knew it was insurance money, and it was generally known that particular house here represented one of the insurance companies. That concern is a member of the Real Estate Board.

Senator KING. He would know when he came to sign the mortgage that the insurance company, the loaner, only got 5½ per cent, and that one-half per cent was commission.

Mr. WHITEFORD. I think he probably did. I never saw the papers and do not know how they worked it out, but the real estate men who opposed that in the minutes of the Real Estate Board, knew that the money was at the rate of 5½ per cent, and was being advertised as a 6 per cent loan without a commission, which they did not feel was the right thing to do. It was one of the Real Estate Board's own members, and they objected to it.

The CHAIRMAN. You say there have been no loans made without commission?

Mr. WHITEFORD. No, sir; I do not say there have been no loans made without commission. My argument was directed to Mr. Brinkman's contention that the attitude of the board was, it opposed loans being made without commission. I used this illustration as proof of that. It was not that the board disapproved of loans being made without commission, but it disapproved the way the advertisement was put in the paper, because it was not in accordance with the facts.

Senator KING. The fact was, there was one-half per cent commission?

Mr. WHITEFORD. Yes, sir; and it ought to have been stated that way. That is the way the members of the board felt regarding its own organization, and I do not think Mr. Brinkman's criticism is justified under those facts.

Mr. BRINKMAN. The fact is also, is it not, that other firms that objected to the advertisement were loaning this money at 6 per cent and charging an additional commission.

Mr. WHITEFORD. Many of them.

Mr. BRINKMAN. It was a saving to the mortgage borrower if he borrowed on that plan.

Mr. WHITEFORD. Yes; and others were loaning money at 5½ per cent and charging a commission.

We have had rates of interest in the District of Columbia of 6 per cent, 6½ per cent and some at 7 per cent, about the war time. You can get loans at varying rates of interest, depending on your security and the term of it.

The next contention that Mr. Brinkman made in support of his conclusion that the Real Estate Board was throttling everybody here by preventing the proper kind of advertising. He called attention to an advertisement that was in one of the papers where is was advertised this man would build a house for $2,000 less than anybody else. He complained that the Real Estate Board by its resolution directed that be taken up with the Better Business Bureau. Now the fact was about that, and I do not want to use the name, but Mr. Brinkman probably knows the name, advertisements of that character were put in the newspaper by a man here who had been indicted and who had been convicted of some matters in connection with real estate deals.

Mr. BRINKMAN. He had been a member of the Real Estate Board, too, had he not?

Mr. WHITEFORD. I think he had. I am not aware of the fact that there is any organization that has 100 per cent virtue, either in the ministry or Real Estate Board or anywhere else.

He was putting that kind of advertising in the paper.

Now, the members of the board saw it, felt that matter ought to be looked into, to see if that should be done, and whether it was being done by the man. Therefore, it was referred to the Better Business Bureau to investigate. Certainly the Real Estate Board can not be criticized for trying to see that the advertising that goes in newspapers in respect to real estate matters that the public reads comport somewhere near the truth, and that is the effort that is made in that resolution to which complaint has been made by Mr. Brinkman.

Mr. Brinkman said a great deal in one of his conclusions. He said it is an outrage that people can not pay their rent and prevent an eviction, and that the law ought to be amended so as to permit a man at that time before he is evicted to pay his rent. If Mr. Brinkman will read the decision in the Court of Appeals, and one in the Supreme Court of the United States, he will learn that the fact is to-day if there is a writ of ejectment served by the marshal to put out anyone after a judgment, that until the marshal moves the furniture out the tenant can pay his rent and prevent the eviction. He can hand it to the marshal and the marshal will take it. The marshal would not put him out anyhow. Mr. Ed Snyder is the marshal, and those deputies have been there a number of years, and they will not hesitate a moment to take his money.

That case was decided in somebody against Taylor. I have forgotten the other name. It is in the Court of Appeals. Mr. Wilton Lambert was on one side and Gwinn Gardner was on the other, and this man tendered $3,800 in cash in the Municipal Court in a landlord and tenant suit. The property owner refused to take it, claiming the lease was forfeited by reason of the failure to pay rent. That case went to the Court of Appeals of the District of Columbia, and they held the tenant can tender the money at any time prior to the actual execution of the writ. So there is no occasion to amend that law.

Mr. BRINKMAN. There would be no objection to such a law, to make it clear, would there? The marshal's office tells me that is not the case. They do not know how much to accept from the tenant, because the writ of restitution does not state the amount due, and they do not have any authority to accept it.

Mr. WHITEFORD. Well, they do accept it, and it has been done times without number, and there is not any question about it. I am talking about the right, if you want the law amended so as to give the tenant the right. He now has the right, and the Supreme Court of the United States in somebody against Eli Sheets, who died recently, held the same thing. There is no occasion to amend that law.

Mr. BRINKMAN. There should be no objection to putting it in the law.

Mr. WHITEFORD. No.

Senator KING. You would have to tender the amount, and the burden would rest upon the tenant to ascertain the amount, and make a valid tender.

Mr. WHITEFORD. Yes.

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Mr. BOWIE. The United States marshal will never evict any tenant unless there is a representative of the owner there for the very purpose of accepting this money.

Senator KING. The burden would rest upon the tenant to ascertain the legal amount due, to prevent the eviction, and if he tendered a less amount there would be no obligation on the part of the court or a representative of the court to accept a lesser amount; so the burden would rest upon the tenant to ascertain the amount.

Mr. BRINKMAN. The judgment of the court is not for a specific amount of money, but for restitution of the premises. There is nothing in the records of the court to show that.

Mr. WHITEFORD. He ought to know what he owes.

Mr. BRINKMAN. There may be an argument as to the amount due. We have a case here now——

Mr. WHITEFORD. There is a place to try that—the Municipal Court. If it is served for nonpayment of rent, if there is not a lease, you have got to give the tenant 30 days' notice of the fact that he has not paid his rent. Even though the tenant has not paid his rent, if you have not paid your rent, I have got to give 30 days' notice of the fact that you have not paid your rent and I am going to put you out because you have not paid your rent.

Now, then, when that case is tried the tenant can come in and prove he paid his rent, and if he can not prove that, there is a judgment for restitution.

Mr. BRINKMAN. And not a money judgment.

Mr. WHITEFORD. No.

Mr. BRINKMAN. And in most cases there is only seven days' notice given.

Mr. WHITEFORD. If there is a lease, the lease always, so far as I have ever seen one or drawn one, waives the 30-day notice for the nonpayment of rent. I do not think it is reasonable that a man should have 30 days' notice. The leases waive them, and you serve a 7-day summons, and that now is returnable in about 10 or 12 days.

The next thing Mr. Brinkman took up was this thing of a blacklist, which he said was vicious and cruel, and everything else that he could say about it.

Here is the reason for what was done in that respect. It was not a blacklist. No such such list has been kept now for about three years. The Real Estate Board did try to keep a list of tenants in order to determine who paid his rent and who did not. I maintain that if a real-estate office is to manage your property, it ought to do it in an intelligent, competent, businesslike manner. You have got the right to expect that.

Mr. Brinkman complains of 5 per cent paid to the broker. He ought to do something for the 5 per cent; and in the things he ought to do one of the things he ought to do is to take into your property tenants who will pay their obligations and those who are not known to be rent jumpers. I say if the real-estate office handling your property takes in anybody that comes in and wants to make a lease, and sells the space in your building on the basis of future payments, for that is what he does do; if he does that without examining the credit of the tenant, without looking him up to see if he is employed, how much he is making—and I think we are all prone to ride in better automobiles than we can afford; we try, perhaps, to

live in more fashionable quarters than perhaps our income justifies—I think it is the duty of the agent in handling your property to have some way to find out what that prospective tenant's reputation is for keeping his obligations, and that is what was endeavored to be done in a list of tenants that the board tried to keep.

They kept that list for about two years, and it did not work out. Apparently the members of the board would not send in the names, and the records could not be kept, and, finally, three years ago it was turned over to Stone, who runs a collection service, for their information.

Now the real-estate offices call Stone or Dun and Bradstreet, where they can get a mercantile report. Some of the tenants are not listed in Dun and Bradstreet, but Stone goes further in making up credit reports on a wider range of people than the larger mercantile agencies. I can not imagine that any organization is to be criticized for that kind of condition. I consider that good business management, and they ought to do it for the protection of the property that they are employed to manage.

A letter was offered here written by a young man in Saul's office, about which much comment was made by Mr. Brinkman, that it showed another ring or understanding among the real-estate brokers. That letter in effect, "We can not take you as a tenant, because you are under lease to another office, and that office is a member of the Real Estate Board."

So far as I know and can find out, there is no by-law, resolution, or understanding among the board members of the character set out in that letter, but I say this, that again I think it is sound judgment on the part of any real-estate office, if they are about to take me as a tenant, to put into your building, to inquire from me where I am renting, whether I am under lease, what my obligation is with respect to that lease and whether I am renting from a board member's office or a non-board member's office makes no difference. Obviously your rental agent has no right to put me in your property and carry two rents, because that is what it amounts to. Until I can relieve myself of the obligation that I am under, certainly I ought not to be put in your property and get behind on my rent, and I can not see there is any just criticism which attaches in connection with that.

Mr. Brinkman says 5 per cent commission for the collection of rents is too high. Of course, I do not know how Mr. Brinkman arrives at that conclusion, because I do not know how much experience he has had on that. He has never run a real-estate office. I have said a number of times, and I have sat in the baseball park and listened to the talk—I think it applies here—it is always easy for the man who sits in the grandstand to tell the shortstop where he ought to have thrown the ball, and I have lived long enough to know that I am not justified in criticizing the other man's business until I at least know as much about it as he does.

Five per cent is almost universal over the country. We have the schedules they use, and in the District of Columbia, where the rent exceeds $100,000 a year, it is 3 per cent, and that is the general practice. That was the practice years before the Real Estate Board was ever heard of. That commission schedule has been testified to in the courts by the secretary of the Real Estate Board, as the practice

among real-estate brokers in the District of Columbia. His evidence has been accepted as to estates, all of these commission scales, and it is not an unreasonable commission.

Mr. Brinkman takes the view that there is no occasion for that expenditure plus a manager in a building. Now, if you are living in an apartment house—suppose you are living at 2400 Sixteenth Street, or Woodley Towers, or the Westchester, and the rental agent is Weaver Bros. or Saul Bros., and I come in the apartment to look at an apartment. I must go to Weaver Bros. to get somebody to show it.

There is a big force of employees there to be looked after, the janitors, the charwomen, the elevator boys, and painters and plumbers in the large buildings all the time, on an annual basis.

Is it possible that Mr. Brinkman can tell property owners, who have millions of dollars invested in property, that they do not know how to run their business, and that he knows better? I say there is some limit to the intelligence of any man, and he can not take in too much territory, and, if that is a useless expense, why would not the property owners have eliminated it? Experience proves it is desirable and necessary for the comfort of the people who live there.

Senator KING. Is that 5 per cent paid to brokers who are not members of the Real Estate Board?

Mr. WHITEFORD. Yes, sir. I say it is paid to those not members. It is paid both.

There are many instances in which rents are collected at less than 5 per cent, some times 4 per cent, if the building is larger, or if the building does not need a lot of service. Take a building like the one at Fourteenth and Monroe Streets, a piece of property that has a long row of stores on the street level, and it has bowling alleys in the second floor. The only man employed at that place is a fellow to fire the furnace. The store-keepers take care of the stores and the bowling-alley man takes care of the bowling alley. The only employee is a fireman to keep the heat up, and to put in light bulbs. When a real estate office is managing a business of that character, where they do not have to give it so much attention, rents are collected for less than 5 per cent in those instances, but, broadly speaking, it is 5 per cent up to $100,000 and 3 per cent above it. That is about what the usual practice is.

Mr. Hagner, who testified before you several times, said time after time he will not take a building at 3 per cent. He has two very large buildings, one the Woodward Building and another which he is handling at 3 per cent. He has been offered many buildings for 3 per cent. He will not take them. He says he can not do business at that price. You might as well not do any business at all.

Another thing that indicates that, and Mr. Brinkman admitted—he was asked whether he had in his investigation any evidence of an agreement of the members of the Real Estate Board to fix rents, and Mr. Brinkman's answer was "I can not say that they do, except as I shall hereafter show." What he shows are these criticisms that he has made.

One of the evidences, it seems to me, that they do not fix these rents is this: If you pick up any newspaper, particularly the Saturday evening and Sunday morning newspapers, and see the thousands of dollars of advertising these brokers do to get tenants, that shows you how much competition there is, and Mr. Bowie testified the other day of one test of advertising. He said that it cost $85 apiece to get new tenants, and yet they are paying it out of their own pockets, buying columns of advertising in the newspapers, and yet Mr. Brinkman says this is a conspiracy to keep the rents up.

Senator KING. Do the brokers pay that advertising out of their commission?

Mr. WHITEFORD. Yes, sir; in most instances. That is another way the rent commission is sometimes modified, because the broker will say to you, "I will handle your property for 3 per cent and you pay the advertising" but ordinarily when it is 5 per cent the broker pays for it out of his own pocket.

Now, then, again some reference was made by Mr. Brinkman at the last hearing that as to the insurance rates that the brokers here planned for keeping the insurance rates up. A real-estate broker has no more to do with insurance rates than I have. Everyone knows they are fixed by a board of underwriters for the different cities. I think they are high enough in the case of a fire-proof building. I have had a recent experience on a building where a client of mine had a building that he could not burn down. It is of solid concrete and steel construction, yet the premium on that building, as I remember it, was $400,000, costing something like $2,000. That seems to me to be a very large amount for a building that could not burn down. There was no way to burn it, but the real-estate brokers had nothing to do with it.

Mr. Brinkman called attention to the fact that one-third of the premiums received went to pay for losses in the District of Columbia, which was a low percentage, as if the real-estate brokers had something to do with that. We have troubles enough, but certainly the real-estate brokers ought not to be blamed for the insurance rates, and I point this out in passing, when Mr. Brinkman talks about insurance rates, we had an insurance company started by two members of Congress, Mr. Zihlman and Mr. Reid, from Illinois, the Great National Insurance Co. in the District of Columbia. This company insured property at very much lower rates than the underwriter board rates. To-day this insurance company is in the hands of a receiver, and a lot of people who bought that stock have lost money.

Mr. BRINKMAN. What wrecked that company was the fact that Mr. Reid drew $30,000 out of it. I do not like to interrupt counsel, but he has made a misstatement. Here is the schedule of commissions on property, a Washington Real Estate Board schedule of October, 1931, Rule 17, page 29:

> The commission for collection of rents and property management in all types of residential property, both furnished and unfurnished, shall be 5 per cent of the gross rent, payable as collected, except where the gross annual rental of an individual property exceeds $100,000, when in such cases the commission shall be subject to agreement.

Rule 22 is:

> Owners of apartment buildings shall pay the salary of the resident managers, all display and special classified advertising and booklets.

Mr. Whiteford stated the agent paid for that.

Mr. WHITEFORD. He does in a lot of cases.

Mr. BRINKMAN. The rule of the board provides he shall not.

Mr. WHITEFORD. They have got the commission rates set out in the board book, and I have written plenty of real estate contracts for owners. I assume Mr. Brinkman may have written some, where the commission is in the form of a house or lot or second trust note. In one case it was an automobile given to the real estate broker as a commission, two cases that I remember. That is the basis on which to proceed, but it is observed in the breech as well as in compliance.

Mr. BRINKMAN. The records show that the members were threatened with expulsion if they did not conform to those rules.

Senator KING. What is the usual rate throughout other large cities?

Mr. RUSH. Senator King, I have here Salt Lake City rental commissions:

> The charge for securing a month to month tenant shall be two-fifths of the first month's rent.
>
> The charge for collecting rent on unfurnished houses from month to month may be 10 per cent and not less than 5 per cent, with a minimum of $1.50 per month.
>
> The charge for collecting rent from month to month on furnished houses shall be not less than 10 per cent.
>
> The agent shall make a monthly report of all expenses and collections not later than the 10th of the succeeding month.

Topeka, Kan., rental charges shall be as follows:

> Management of property: 10 per cent of first month's rent for securing tenant; 5 per cent of monthly rental for collecting, with minimum of $1. When agent does not have charge of property, 25 per cent of first month's rent for securing tenant.

We can go further, but 5 per cent appears to be the standard rate throughout the United States. We have Chicago, New York, and various other cities here, but do not want to take up the time of the committee with them.

Mr. Brinkman complains of the absence of minutes of the meetings of the Mortgage & Finance Division from July 18, 1925, until some time in February of 1926. I looked in the record the other day, and on page 332, where there are inserted in the record the minutes of the Real Estate Board—he complained of the absence of subsequent minutes, and that very minute that he put in there showed an adjournment of that division from July 18, 1925, to February 5, 1926. So the very minute itself shows they did not have another meeting and did not intend to have another meeting until February.

Mr. BRINKMAN. I was talking about 1930, 1931, and 1932.

Mr. WHITEFORD. I made a note of it.

Mr. BRINKMAN. I did not complain about 1926. I complained about 1930 and 1931.

Mr. WHITEFORD. I desire to point out that no man can deny that in every business, profession, or occupation there are always people that do take advantage of other people. Honesty and fair dealing is not universal. We ought to have regulatory statutes of one kind or another. The real-estate business is no exception.

In 1924 I wrote for the Real Estate Board here and the real-estate brokers generally a license law that we wanted to have passed, and we have always wanted to have it passed. It has been introduced a number of times. We do not regulate the business in that law, but we regulate the man, the same as we regulate the lawyer, the personnel of the profession.

The statute is modeled after the statute that has been passed in 25 or 30 States by now. It has been sustained by the Supreme Court of the United States.

We have had, up until July 1 of this year, an ordinary license law passed in 1902, when any of us could go to the District Building and just pay $10, I think, and get a license to be a real-estate broker. It was only a semirevenue measure. It hardly charged enough to justify its existence, but it was in the same class with clairvoyants, palm readers, soothsayers, and chiropractors. They all went in the same boat.

That is the only kind of a regulatory statute we have ever had respecting real-estate brokers in the District of Columbia.

Mr. BRINKMAN. There is no license fee at all now.

Mr. WHITEFORD. No; since the 1st of July, when the new act was passed, for some reason or other that was left out. The real-estate brokers were left out entirely. It did not mean anything except $10 or $15, and now we do not even have that. I assume it was omitted because the idea was prevalent this license law would be passed, and I want to take this occasion to say again the Real Estate Board want that kind of a statute passed. It wants a statute passed that is of the character that we have drawn, which is in use in so many States in the Union and has stood the test of the courts. It is a perfectly reasonable, readily enforceable, helpful statute. There are many people who sell real estate, handle a lot of money.

Let me say this in passing. There are real-estate offices in the District of Columbia who handle more of the people's money and have in their control more of the people's property than many banks and trust companies, and yet we regulate those banks and trust companies very strictly, have them examined by the controller, and yet when you think of the fact I can take $100,000 or $200,000 or $500,000 of your money as a real-estate broker, invest it, and am under no supervision by anybody.

I am a licensed agent, no badge of integrity at all coming from any governmental institution. We have stood for that law eight years. We would like to have it passed, and many of the little things that Mr. Brinkman complains about that the board has resoluted, which he interprets and misinterprets, the rest would never have to be done if we had a license law, because the license law would have reached those people.

The Real Estate Board have some pride in its position. Mr. Brinkman has paraded the Real Estate Board over the town as being a criminal institution. He has advertised it far and wide, that it is in collusion with the banks, the trust companies, the insurance companies, the building associations, and two newspapers were included in the conspiracy by his statement here a few days ago because, forsooth, on the board, as members of the board, are some few banks, one of which is the American Security & Trust Co., the Liberty Bank, the Federal-American, and District, and some have been members of the board for a number of years.

I do not suppose Mr. Thom, the president of the American Security & Trust Co., ever went to a Real Estate Board meeting in his life, and I do not suppose any of the officers did. Mr. Brinkman

brings the newspapers into the transaction because he reads in the minutes of the Operative Builders Association that it met in the board room of the Star Building. He assumes that is the board of the Evening Star. The fact was the board room down there was the board of trade board room, or Merchants' & Manufacturers' board room, who have offices in the Star Building. The Star Building or the Star Newspaper operates an office building.

Mr. BRINKMAN. It was not the Operative Builders' Association. It was the Association of Building Owners and Managers, and their minutes show that they met in a board room. I will state the name of it if you desire.

Mr. WHITEFORD. What was it?

Mr. BRINKMAN. It was the Evening Star.

Mr. WHITEFORD. Where they met was not in the board room of the Star. The Star newspaper had no more to do with it than you and I did. It is a figment of your imagination. It is just as accurate as when you said P. Bowie was present, and you assumed he was Mr. Bowie's father. I object to these suspicions. They are not fair to the industry. They are not fair to the business in the community.

Just think what that statement made before the committee meant to this town. If the members of the Real Estate Board were guilty of violating the Sherman antitrust law, that includes the bank presidents of this town and trust company presidents, and insurance company representatives that are making loans here. I say it is wrong that it should have the force of coming from someone employed by this committee to castigate the people of this town in that fashion, and I protest that it is unfair and unfounded, and not in accordance with the facts, and a man's opinions ought not to be distributed in that fashion.

I do not want to show any undue heat about it, but I resent that kind of thing, and the people in here resent it.

Mr. BRINKMAN. The records show they were meeting in the board room of the Washington Evening Star, and one of the members, in fact the president of the organization, was a Mr. Ruth, who was connected with the Evening Star Newspaper.

Mr. LUSK. He never had anything to do with the Operative Builders. You said he was present.

Mr. BRINKMAN. I was talking about the Association of Building Owners and Managers.

Mr. WHITEFORD. If you want to put the Star in it, I can not stop it.

Mr. BRINKMAN. I do not want to put them in. I do not mind putting it in. It is the record of the organization.

Mr. WHITEFORD. You do not seem to care.

Mr. BRINKMAN. I am not trying to curry favor.

Mr. WHITEFORD. I object to the fact that the business people of this town shall be drawn and quartered at the hands of insinuations, inuendos, opinions, and suggestions made by Mr. Brinkman.

Mr. BRINKMAN. Charles H. Ruth is shown in the 1932 directory of the City of Washington as superintendent of the Evening Star Newspaper Co., and it was in the Evening Star board room that the organization met, and they met there for the purpose of raising a fund to defeat the continuance of the Ball rent act.

Mr. WHITEFORD. Had they a right to?

Mr. BRINKMAN. Yes.

Mr. WHITEFORD. I say any industry or any individual that is interested in legislation that is going to affect its business has a right to meet, raise money, employ counsel, and he has a right to be heard, and I hope a time is not going to come when enough Brinkmans will keep him from being heard.

One other thing, so far as this violation of the Sherman antitrust law is concerned, if the Real Estate Board of this community, consisting or roughly 140 members out of probably 400 real-estate brokers, or men engaged in the real estate business in the District of Columbia, if what Mr. Brinkman says is true, then every real-estate board in the United States is in the same difficulty. There are plently of real-estate boards in every State in the United States, every large city of any size. All these cities have them. They have a State organization and a national organization.

The effort of the real-estate boards has been to improve the integrity of the members and the quality and character of the business.

This little Real Estate Board here, you might be interested to know, in the last few years has run an open house for advice to officers, through its executive secretary, people who wanted to know about real estate transactions. People have come in there who have bought a house and do not understand they are paying this, that, or the other. They do not feel they have money enough to employ a lawyer. More than 5,000 people have come in there, not people buying property, not people that knew their way around, but over 5,000 people in the last two years have come in there to talk with somebody who knew more about real estate than they did, and in the years that I have represented the Real Estate Boaord, which is a purely nominal representation so far as I am concerned, $250 a year. I think that is what it is.

Mr. RUSH. That is it.

Mr. WHITEFORD. Whatever it is, it is. My telephone has rung hundreds of times from that office, and somebody is there saying, "There is an old lady here that has come in to get some information. What should she do?" and I have told them. They have sent them over to my office and I have told them, and they have never paid a nickel, and have not been asked to.

I say that institution has cooperated with the Government, through its members, in the enforcement of the prohibition law. I myself went with the secretary of the board to the district attorney here to see what could be done to aid in the enforcement of the statute, so far as the buildings were concerned that the Real Estate Board had anything to do with.

It has given that service to the public, statistics and information to public officials from time to time. It has made appraisals for people without charge. They do charge for many appraisals. They have an appraisal committee that will appraise a property. They have arbitrated differences between owners. I am not here throwing roses at the Real Estate Board, but I would like you to hear some of the things we do, as compared with the other side in which there has been no good at all.

If the board justifies its existence and is trying to keep up a decent, honest institution, it is not the subject of indictment under

the Sherman Antitrust Act, and I protest against the recommendation Mr. Brinkman makes in connection with it. I point this out to you as a legal proposition. I do not see any difference between members of the Real Estate Board saying the rate of commission they charge on a sale is 5 per cent on the first $5,000 and 3 per cent above that, or 5 per cent for the collection of rent than the lawyers getting together and saying, " we will charge $5 to write a will or $100."

Mr. BRINKMAN. The lawyers do not do that.

Mr. WHITEFORD. I do not see any difference.

Mr. BRINKMAN. We do not do that as lawyers, and you know we do not do that.

Mr. WHITEFORD. We can, just as well.

Mr. BRINKMAN. If we did it we ought to be sent to jail.

Mr. WHITEFORD. You can go if you want, but I do not enjoy that society.

I remember a case in Iowa, where some enterprising district attorney with somewhat the same views of Mr. Brinkman, indicted a bunch of surgeons in Iowa in their medical society because they got together to fix a schedule of rates for operations. He had them indicted before a grand jury, and the court quashed the indictment. It is a personal-service proposition. The thing these real estate brokers do is personal service when they sell a property. It is a personal-service proposition. The advice they give in real estate is just as valuable to you as an owner of real estate as the advice I would give as a lawyer, and they have endeavored to raise this to a professional standard. They have some pride in what they are doing. Some of the best men in this country are connected with real estate boards of this country, and I think we have a right to object to having this industry characterized in any such fashion.

Senator KING. To what extent do the rules and regulations of this board conform to the rules and regulations of real-estate organizations throughout the United States?

Mr. WHITEFORD. I should say they are just about the same, the code of ethics. The board conforms with that of the National Association.

Senator KING. This organization is a member of the National?

Mr. WHITEFORD. Yes.

Senator KING. Would you be admitted in the national organizations if you had provisions in your organization, rules and regulations that were violative of accepted ethical practices?

Mr. WHITEFORD. No.

Senator KING. Do they pass upon your conduct and upon your rules and regulations before admitting you into the national organization?

Mr. WHITEFORD. Mr. Rush will have to answer that. I do not know about that.

Mr. RUSH. No organization may join the National Association unless it agrees in writing to abide by the code of ethics of the National Association, and each board must pass that code of ethics on to its members, subscribe to it in detail, and make it a part of its local code of ethics. We have done that in Washington.

Here is Philadelphia [indicating] which goes into the thing, San Francisco, Chicago, Baltimore, and I have quite a library of commission schedules, codes of ethics, rules, and regulations on which the Washington Real Estate Board is patterned along practically the same line. Conditions vary the rates in some communities 2 or 3 per cent, but in the main the average throughout the country is 5 per cent on rental charges, but local conditions affect the matter.

Senator KING. I had reference to the conduct.

Mr. RUSH. The conduct is the same whether you are from Kankakee or Oshkosh.

Mr. WHITEFORD. I would like to read a few of these articles from the code of ethics.

ART. 12. In justice to those who place their interests in his hands, the realtor should endeavor always to be informed regarding the law, proposed legislation, and other essential facts and public policies which affect those interests.

ART. 13. In accepting the agency for property, the realtor pledges himself to be fair to purchaser or tenant, as well as to the owner whom he represents and whose interests he should protect and promote as he would his own.

ART. 14. A realtor should not buy for himself property listed with him, nor should he acquire any interest therein, without first making his true position clearly known to the listing owner.

We had three cases in the Court of Appeals of the District of Columbia a year ago where real-estate brokers took commissions from both sides to the transaction, or where they had bought property and sold it apparently to a straw representing the owner, and did not disclose the facts. Practices of that sort have been frowned upon, and a man will be expelled——

Senator KING. He ought to be expelled and prosecuted also.

Mr. WHITEFORD. That is what the board has stood for, and it has made its members do things when the law would not have required it.

I want to talk a minute about these loan commissions, and I want to give the committee a little picture of how loans are handled, because I am sure it will explain some of the criticisms that Mr. Brinkman makes. Had he known how they are done, he certainly would not have been justified in making the statements he makes.

There are two kinds of loans in a real-estate office. One is the building loan and the other the loan made on completed property, and made principally by the insurance companies in the District of Columbia in the last two years.

Senator KING. Local or New York?

Mr. WHITEFORD. New York, principally. We have one insurance company, the Acacia Mutual Life, that makes some loans here, and the Peoples, a small company. They make a few smaller loans, but not so many. But the large loans I am speaking of, insurance loans, are made by four or five of the larger life-insurance companies.

Let me point out to the committee what happens. Mr. Brinkman says these commissions are a crime, atrocious, no service rendered for them, and they ought not to be charged to the people, in effect that they are usurious and reprehensible.

Mr. BRINKMAN. Senator Copeland said about the same thing.

Mr. WHITEFORD. I do not care who said it. I beg to differ with that opinion.

For example, I want to build an apartment house. I go to Mr. Rust's office or Saul or anybody that makes loans. We will take Mr. Rust's office. I go in and want a loan of $150,000 or $400,000

building loan. I have not yet bought the piece of ground, but I have it in mind and I want to arrange for the loan. Mr. Bowie says to me, "Where is the location, and have you drawn your plans?" I say, "Yes, here are my plans. This is the character of building I propose to erect on this piece of property. What will the commission be? It is 2 per cent for a 3-year loan. He tells me that my commission will be 2 per cent, that I have to pay a rate of interest of 5 per cent, 5½ per cent, or 6 per cent, whatever the rates are at that time. He goes with me to look at the ground, to look at the price, to look the property over, and to see what kind of an institution it will look like. He has got to get an architect and engineers to go over those plans and compute them, find out whether the plans are properly drawn, because there are many things that do not comply with the building regulations.

They have got to have their own experts go over those plans and see the building when erected will be adequate security for the loan. They agree to make me that loan. I buy my lot and put my plans in the District Building, get my permit and start to erect.

In the contract they say, "When you get your first-floor joists up, we will pay you so much, and when you have your roof on, so much more, and when the plastering is finished, so much more." There is made a schedule of payments as the building progresses.

They have got to keep men on these buildings to examine them, to see that they are building in accordance with the plans, to see that the security is going to be there when that property is finished. They have got to inspect it to see how much the work amounts to before I get my installment payments. And they do all that for 2 per cent up to that point. The building is finished and the money is paid. I begin to use my building, renting or operating it, or go into it for my own business. What happens? They have to sell those notes to the public. They advertise them and sell them. If they do not sell them they have to carry them themselves.

They have supervised the erection of my building, have advised with me about the building, because sometimes their experts will give you helpful suggestions, and they have made me a building which is better than it would have been.

In six months I have not paid my semiannual interest, maybe I do not have it. They have sold the notes to people over the town. Rust's office and Saul's office will pay that interest to the note holders. They get it whether I pay it or not, but they get it out of me if they can.

In those two offices, I want to say to this committee, there has never been a note holder who has lost a dollar in principal or interest out of that transaction, and if I am unable to pay the interest on that trust they foreclose and they take that property over and work it out. The note holder gets his cash and does not have to become a joint owner in the property. That is what they do. I realize many do not do that, but I am answering the contention, trying to show the service that is performed by a real-estate office that gets this 2 per cent commission that Mr. Brinkman complains about. Not only that. Here is what some of the offices do. When that trust comes due there are times when perhaps the note holders want their money. They invest it for three and five years, and they want it. Take a loan of $200,000. It is not unusual that sometimes $50,000

or $100,000 of those note holders want their money. The office that puts those notes out has got to take its own chance and hold the notes against selling them again, and frequently in these times they have had to aid the borrower as well as the note holder by taking over a large lot of notes out of these loans and carrying them as their own assets, and putting their own money into it, going along with it to work the proposition out, rather than foreclosing, and it is being done, yet we are told these hard-hearted lenders are foreclosing on people right and left. They are not. I say that, as a general proposition—you can find isolated cases—there is always a fringe on the outside, but one swallow does not make a summer. I am speaking of the principle of the thing. There are men with just as much conscience and heart and integrity in the real-estate business as in the law business.

Senator KING. The Government of the United States is foreclosing mortgages on farms where money has been loaned by the Federal banks, the joint-stock land banks, which are not, by the way, a Federal organization, although they were organized under a Federal statute. They foreclose mortgages, but I am not expressing any opinion about it one way or another.

Mr. WHITEFORD. We have got to have a certain amount of foreclosures, but I protest against a blanket indictment that this is ruthlessly being done.

Let me show you another thing.

Senator KING. Before you go to that, if the insurance company is the loanor and furnishes the money, then the procedure to which you have adverted would not be followed?

Mr. WHITEFORD. No, sir; and 2 per cent commission is not charged, and the expense is not as great on the real-estate office, but there are some things they have to do for the insurance companies that are quite substantial, in looking after these properties.

Senator KING. I suppose the insurance company which makes the loan would have to have representation for the purpose of examining the building in process of construction to determine whether it was being constructed in conformity with the plans and regulations.

Mr. WHITEFORD. The insurance companies, generally speaking, do not make building loans.

Mr. BOWIE. That is true.

Mr. WHITEFORD. They will make most of them, I am speaking broadly—they loan money on completed projects, so that what frequently happens, and that was the thing complained about by Mr. Brinkman in reference to Alban Towers the other day—Mr. Saul's office made the building loan and sold the notes with the provision in them that they could be called by the payment of 1 per cent interest. Then Mr. David Barr got a New York Life loan at 5½ per cent to run 10 years, which was profitable to him. It was profitable for him to pay off the building loan that Saul's office put on there, and those note holders got that 1 per cent.

Senator KING. Are there many instances in which notes have been sold for the purpose of erecting buildings, and thereafter the loan has been turned over to insurance companies and the first loan paid off?

Mr. WHITEFORD. Yes; there are some.

Senator KING. In that event, if the notes which were issued for the construction of the building have not matured but carry a provision that they may be called, then there would be some sort of a compensation required for the payment in advance?

Mr. WHITEFORD. Yes, sir, and that bonus goes to the note holder.

The CHAIRMAN. There is one question I would like to have you answer, or give us the Real Estate Board's attitude on it. We get a great many complaints. All these letters that I have had run up to a thousand or more, from tenants who feel that rents are too high, who complain about the high-financing method entered into by builders and speculators and real-estate brokers supposed to be a part of it, whereby the second and third trusts would permit somebody to get 25 per cent rake-off on some of these trusts, and it is not surprising the tenant gets the idea after paying the bill in high rents, and the rents are still on the basis fixed, when these high-financing operations are carried on.

Mr. WHITEFORD. There is not any question, Senator, but that loans made on real estate have been very high, in excess of the value. There is not any question, any more question respecting real estate in that particular than there is in the National City Bank stock or Chase National Bank and all our stocks. They were selling for tremendous prices that were not justified. There was as much speculation and gambling in real estate as on the stock market. Loans were made on securities they thought were triple A securities that to-day are not worth the loans, but it looked perfectly safe then. Our hindsight is better than our foresight. A lot of times people were trying to get as big loans as they could. There are undoubtedly cases where what tenants complain of as large commissions have been made, the thing they are standing the burden for.

Let me illustrate one of those that comes to my mind, which I think is perfectly fair and proper and a reasonable business transaction. Many of them are not defensible. Take this situation. It takes a lot of money to build a row of houses. A man's capital gets frozen up rather rapidly. I build a row of 25 or 30 houses. I may get a first trust loan of $4,000 each, and I would have to put $2,000 or may be $2,500 in each house. In building a row of 30 houses I have got $65,000 to $75,000 of my cash. What happens? I have built these houses, put my money in to pay the additional over what I got from the first trusts. I want to go on building. I have built those houses and am selling them rapidly, but I have to sell them on small payments, $500 cash and long term second trust notes. Our second trust notes are supposed to pay out in five years. My profits are in those second trust notes, together with my investment, and I am frozen. I am through until those notes are paid off.

If I have had a good building operation and have been able to sell my houses, I come to you and say, "Senator, I have here $100,000 worth of second trust notes. It represents my investment and my profit. I will sell these notes to you at a discount." In other words, take you in as a partner in my building operation. You are buying second trust notes. When you buy a second trust note you must be prepared to take the property. If you are not able to do that, don't buy them. I may be willing to give you

25 per cent of my profits in order to get more capital. Banks do not want second trust notes, generally speaking, and what sounds like a tremendous commission on a second trust note in reality is not. I have given up part of my profit and you have assumed the burden of investment when you take that second trust note. If it pays out it is a profitable investment for you, and you will have to be your own judge whether it will be a profitable transaction. There is no criticism attached to that.

The CHAIRMAN. What I would like to know is, in view of this code of ethics, what has the Real Estate Board done to correct the inequities of this high financing game that has been carried on?

Mr. WHITEFORD. There is nothing it can do except among its own members. You do not find these offices that we have been talking about—they are not engaged in that financing. They may have made loans too large. No one will dispute that. Insurance companies have done it. We all have made a mistake. The Real Estate Board is not in for frenzied financing and they have not indulged in it.

The CHAIRMAN. Have they done anything to prevent it?

Mr. WHITEFORD. What can they do? If you want to go out here and engage in the real estate business and sell notes, they can not stop you. If you want to go into the building business and put trusts on, there is no way the Real Estate Board can stop you.

Mr. BRINKMAN. It very strenuously opposed the bill the Senate passed to prevent the issuance of mortgages and bonds of more than 80 per cent of the assessed value. The Real Estate Board fought that bill and prevented it from being reported in the House.

Mr. WHITEFORD. It would never fight it on that basis.

Mr. BRINKMAN. It did. It was opposed to that bill, which would have eliminated these excessive mortgages and bonds.

Mr. WHITEFORD. The board would oppose your bill.

Mr. BRINKMAN. It was not my bill.

Mr. WHITEFORD. I saw one draft of a bill you drew, and I think anybody would oppose it.

Mr. BRINKMAN. The Senate passed it.

Mr. WHITEFORD. Your bill was a vastly different product.

Mr. BRINKMAN. The Senate passed the bill just about as it was drawn.

Mr. WHITEFORD. Not the first one I saw. Let me go on a little bit further on the question of loan commissions.

The real-estate offices, generally speaking, are charging the same brokerage commission for loans and the sale of houses that has been charged for 25 years. Mr. Jacobs said to me—he has been in the real-estate business about 30 years; he is with the Saul Co.—he said the commission is about the same as it was then, 30 years ago.

Varying circumstances change this so-called board rule of which Mr. Brinkman complained. There have been loans made in the District of Columbia here recently and in years past with no commission, a number renewed at one-fourth of 1 per cent, some at one-half of 1 per cent, and some at 1 per cent. There are a great many things that enter into it, and Mr. Brinkman complains that one of the real-estate offices raised the interest rate to 6½ per cent, and thus made it harder for somebody to hold his home. He complains about that.

Mr. BRINKMAN. That was the Saul Co.

Mr. WHITEFORD. I did not remember which one it was, but you mentioned it.

There is a simple answer to that. The Saul Co. has to sell its notes, and you can not get people to invest, you can not get people to buy notes to-day. We can not do any building for that reason. We can not get any loans. Money is not inherent in Saul's office or Rust's office. They have to sell the notes. In order to sell the notes they have to induce people to take money out of the old shoe or safety deposit box, and they raise the interest rate in order to get people to buy some more notes, get money, and that is the answer. It is not a matter of the Saul Co. making any more out of it, because the minute they buy the notes those people get the 6½ per cent interest. It may be, you say, that is a hardship on the borrower. It is either that or no money at all, because people will not invest in real-estate notes. You have to induce them to do it by giving them a higher rate of interest.

Senator KING. Where are these notes sold?

Mr. WHITEFORD. Generally speaking, here in town, small investors. The notes are sold, I imagine, from $250 up. I think $250 is the smallest unit.

Mr. BOWIE. $250 up, which takes care of the small investor.

Senator KING. What proportion of the buildings in this city that have been erected in the past 10 or 15 years have been built with money obtained in this fashion, by the sale of notes?

Mr. BOWIE. I should say practically all of it. They do not build unless they can get a loan.

Senator KING. I suppose many persons who have built houses in which to live have built them without issuing notes.

Mr. BOWIE. Yes.

Senator KING. You are speaking of apartments and business buildings?

Mr. BOWIE. Yes; the ordinary type of house or business property.

Senator KING. What proportion of the houses, after they have been built, that is, apartments and business houses, have been taken over by insurance companies and the loans consolidated in an insurance company?

Mr. BOWIE. Quite a few, Senator, and it has been done for the reason that the local building loan, the rate of interest is 6 per cent, and during the time when money was plentiful they could refinance with an insurance-company loan at 5½ per cent. That was done in a great many cases.

Senator KING. Is there much money in Washington, or has there been during the past 10 years, owned by estates and widows with small inheritances or accumulations, and others who have small amounts that want to loan, been invested in these notes?

Mr. WHITEFORD. Yes, sir; much of it is invested through the trust companies that handle those estates.

Senator KING. Then the money has not been furnished by the brokers?

Mr. WHITEFORD. No, sir.

Senator KING. Or loaned by Mr. Saul's company, except it has acted as the agent?

Mr. WHITEFORD. Yes; it is a broker for that money. Of course, they do sign when they agree to make a building loan—they are obligated. If they did not get the money they would have to put it up. They sign a contract to produce the money after the building progresses, but they sell the notes. They do not have a fund.

Senator KING. Are notes issued on second trusts?

Mr. WHITEFORD. I do not know that any of the board offices sell notes of that sort. Sometimes they may take them where a loan has to be refinanced. Many times the loan has to be curtailed, and the borrower has not the money. There are instances I have heard of where the office will say, "Well, we will give you a second trust for that curtail, and we will take that," and the loan is renewed for a lesser amount. Whether they sell any of those notes, if they sell them, they sell them to people that buy second trust notes. A lot of investors will buy second trust notes. They know what they are buying, or what it is. It is not infrequent that a second trust loan is a very good investment. The risk is greater, but the compensation is greater, and that is one reason the compensation has to be greater.

Senator KING. When a building has been erected from moneys derived from first and second trusts, say that the ground cost $20,000 and the first building costs $50,000, there is a first trust for $60,000. Then it needs an additional amount to add to the building, and a second trust is issued or made upon the property. When you come to the rentals I suppose the entire cost would be taken into account in fixing the rentals, the cost of the ground, the cost of the building, and then the cost of improvement or addition which called for the second trust; so all those things, plus the commissions paid, if there were three commissions, first a commission on the ground for the first and second trust would be added, and be the basis upon which the calculations would be made for rents.

Mr. WHITEFORD. That is an element in it, but I do not think that is the basis on which the rents would be set. In the first place, the value of the property as a completed project, regardless of what it cost, will enter into it. The question of how well those stores, if it happens to be business property, will rent in that locality. You have got a certain amount of competition, no matter where you build your building, and if you pay too much—take the Washington Building at Fifteenth and New York Avenue, that building was financed from Boston and it seems to me it was delayed nearly a year in the building. The loan was on there. The expense of that project got so high you could not get the rent, no matter what you did with it. You had to rent at the competitive price in that locality for office space and store space, and the result was that building wound up in the courthouse and was foreclosed. It has been taken over, and the rents had to be adjusted on the basis of what the community would pay for that location.

Senator KING. Mr. Bowie, I would like to ask you whether in view of the depreciation in values in Washington, and of course there are depreciations elsewhere, has that depreciation been taken into account this last year or two years in the fixing of rents, which would result in a reduction in rents commensurate with the depreciation?

STATEMENT OF J. F. M. BOWIE

Mr. BOWIE. No, Senator; the reductions that have been made so far have been forced upon the owners of the property. They have had to reduce in order to rent. The supply and demand has regulated that.

Senator KING. Have the brokers taken any steps where the owners evinced a reluctance to make proper reductions to bring about that result?

Mr. BOWIE. Yes, sir; I have one case in mind of an apartment house taken by the Prudential Insurance Co. It had a loan of a quarter of a million upon it. I advised during last summer a reduction in the schedule. I made a subsequent recommendation to them later. They did not see fit to follow my recommendation, and to-day we have a vacancy of about 14 or 15 apartments in a building with about 70 units. The brokers are making an honest effort to get these rents down, because we want the buildings filled. That one building I speak of is nothing to our credit, having that large percentage of vacancies.

Senator KING. Have you learned of any effort, directly or indirectly, openly or surreptitiously, being made by owners, in contradistinction to brokers, of rentable buildings within the District of Columbia, business properties as well as residential properties, apartments, to maintain rents?

Mr. BOWIE. No, sir.

Senator KING. Or to maintain values?

Mr. BOWIE. No, sir.

Senator KING. Has there been a conference of any kind, so far as you know, of the owners of real estate which is being rented, looking toward the maintenance of real-estate values or the maintenance of rentals?

Mr. BOWIE. No, sir.

Mr. BRINKMAN. The minutes in the record show that there have been such conferences.

Mr. WHITEFORD. Of what?

Mr. BRINKMAN. The minutes of the Real Estate Board.

Senator KING. I was talking about owners.

Mr. BOWIE. They are competing with each other. The store vacancy here is tremendous.

Mr. Garfinkle built a very fine building at Fourteenth and F. He built additional stores on both the Fourteenth Street side and the F Street side. He has never been able to rent any of that property, because he has never been able to get a rental that would justify his renting it. Fortunately he is a man who can afford to carry it. The average man would have to take what he could get.

Senator KING. I mentioned the other day, when a witness was testifying, a fact that had been brought to my attention, that many of these business properties were exacting such high rents that it was impossible for the renters to pay, and the result was that some persons who had made leases were going into bankruptcy courts in order to absolve themselves from the payment of these large rents. Is there any truth in that?

Mr. BOWIE. There is a lot of truth in it, Senator, and from time to time, pretty nearly daily, we are making requests from relief from

just that situation. I think I can say—I know as far as our office is concerned—we realize that under these conditions these merchants and business-property tenants must have some relief from those long leases that were made under more prosperous times.

Senator KING. Do the real-estate agents seek to interpose obstacles to the obtaining of that relief, or is the effort of those who are seeking that relief frustrated by the owners?

Mr. BOWIE. I would say, Senator, that it would be to the interest of the agent to get that relief. If he does not get it, he loses his tenant, or stands a chance of losing his tenant, and he will receive no commission.

Senator KING. But, generally speaking, from your experience of your knowledge of real-estate operations in the District of Columbia, do you say the real-estate men, broker, are hospitable to a suggestion that the rents on these business properties be reduced?

Mr. BOWIE. So far as our organization is concerned they are, and that is a general feeling, I think.

Mr. Bangs has testified here, the president of our board—he has been appointed and is now working on a committee of the national association to mediate these rents in chain stores all over the country, and is giving a great deal of his time to it.

The national association realizes the necessity for that. I have heard of one case in the South, a chain drug store. It had a rental under the lease of $20,000 a year. The gross receipts for the past year from that store were only $60,000. On a percentage basis, it has been scientifically developed that a drug store can only pay 6 or 7 per cent of its gross sales in rent, and in that particular case they were required to pay 33⅓ per cent. That man needs relief.

Senator KING. There is another question. It is not quite germane to what we are discussing, but I would like to know whether there are enough apartments and residences, many of which are rented in the city, to furnish adequate or suitable accommodations for the permanent residents of the District?

Mr. BOWIE. There is at the present time. I think if each family could afford a separate domicile, I question whether there are enough living accommodations to go around at the present time, because we have had practically no construction for the past two years.

Senator KING. Was not Washington overbuilt?

Mr. BOWIE. Our vacancy surveys made from time to time I think show quite accurately what the situation is with respect to apartment houses. Those surveys have been made each year for the past several years. The vacancy up until November, 1931, had been on a decline. It had dropped from about 11 per cent to a trifle over 7 per cent. The vacancy showed in our survey recently made is double that amount.

Senator KING. What number of families would those vacant houses represent?

Mr. LUSK. Eleven per cent of the number of apartments at that time would represent an actual number of apartment vacancies of about 3,900 units. At this time there are about six or seven thousand.

Senator KING. Units?

Mr. LUSK. Yes.

Senator KING. Vacant?

Mr. LUSK. Yes.

Senator KING. Would you call a unit capable of taking care of five persons?

Mr. LUSK. No, sir; it is individual accommodation. It might be one room and bath or ten rooms and four baths.

Senator KING. What would be the average?

Mr. LUSK. I should imagine three rooms and bath.

Senator KING. Three?

Mr. LUSK. Yes.

Senator KING. That would house, then, about 30,000?

Mr. LUSK. 4.1 on the average to each unit.

Senator KING. That is what I am trying to get at. What would be the average total units? That would be around 40,000 to 50,000?

In driving around the city I have noticed quite a number of vacant houses, some boarded up, formerly private residences, and still serve that purpose. Is that number increasing?

Mr. BOWIE. Yes.

Senator KING. Are they boarded up because the owners probably have gone into apartments and can not rent the houses, and have boarded them up for the purpose of protecting them?

Mr. BOWIE. I should say so. I have in mind one house we handle that is boarded up, as you speak of, on the corner of Sixteenth and Lamont Streets. It belongs to the Henderson estate. It was one of the houses that Mrs. Henderson built with the hope that she could rent it to some one of the legations. We have been trying for over a year to rent it, and we can find no one to take it. It is a very large house, built for that special purpose. The children in the neighborhood were breaking all the window glass out, and you see them boarded up, I think, principally for that reason. There is practically no market for that kind of property to-day.

Senator KING. Generally speaking, would it be a safe generalization to say that there are a large number of houses which were erected for private occupancy which are not now being used and which, with a small expense, could be put into good condition for occupancy?

Mr. BOWIE. I had reference, Senator, principally to the large, expensive houses. I gathered you were talking about those.

Senator KING. No; I was talking about all classes.

Mr. BOWIE. Oh, yes; I think there are many old houses that could be fixed up and made livable, that are now vacant.

Senator KING. There are a number of houses, in my recollection, on K and I, M, N, O, P, and Q Streets, running both ways from Connecticut Avenue and Sixteenth Street, that are only partially used, some of them not used at all.

Mr. BOWIE. Yes. Houses in those neighborhoods you mention, Senator, can hardly be rented for any purposes except for a rooming or boarding house, that type of large house.

Senator KING. The point I am trying to get at is, in addition to the vacancies in the apartment houses, there are a large number of houses which are only partially occupied, and some not occupied at all, which were built for private residences.

Mr. BOWIE. Yes, sir.

Senator KING. They would accommodate, with some slight expenditure, or in some instances considerable expenditure, a large number of people, many thousands of people.

Mr. BOWIE. They would, in addition to the apartments.

Senator KING. They would in addition to the apartments?

Mr. BOWIE. Yes. We have never made a survey of the vacant houses, for the simple reason that there have practically been no houses built in Washington for years for rental purposes.

Senator KING. What I have in mind is if the committee is to consider—I do not know how far we shall go into the consideration of these questions, the matter of making recommendations for expenditures for building in order to house the people, we ought to know and ought to take into account the number of vacant houses.

Mr. BOWIE. I should think you would have to, Senator.

Senator KING. Because, if there are a large number of vacant houses in the District that have been erected for private residences and have served for many years, the people have died or gone into apartment houses or moved away; the houses are still available, conceding that there is a duty upon the part of the Government to house people—and I do not concede it; I make no comment on it—before making expenditures or recommending expenditures we ought to point out the fact that there are many houses available.

Mr. BOWIE. I should think so.

Senator KING. I was wondering if somebody had made an investigation to determine the number of vacant houses.

Mr. LUSK. Two years ago the vacancies in old homes as distinguished from houses built for sale, was 2½ per cent. That must be at least double now. If it were double, it would be 5 per cent, which would give you in the neighborhood of 3,000 to 4,000 vacant houses in Washington. That is an estimate, and it is not accurate.

Senator KING. I should like to have some information on that matter.

Mr. BRINKMAN. We have some information on that. I think you suggested that we have the police department make a survey. They did make a survey, and I will have the exact figures in a minute, but I think they found 1,200 houses vacant and 5,400 apartments, something under 7,000 vacancies here.

Mr. Lusk gave the figure of four people to a residence.

Mr. LUSK. An average. I was talking of apartments then.

Senator KING. He gave it on apartments.

Mr. BRINKMAN. On that basis you could figure there are vacant living accommodations for from 25,000 to 40,000 people.

Mr. RUSH. The Census Bureau gives 3.70 per family.

Senator KING. In apartments or houses?

Mr. RUSH. For a family in Washington.

Senator KING. You mean that is the average?

Mr. RUSH. 3.70, yes.

The CHAIRMAN. Is there anything to indicate what the trend is in the way of possible increase of population in the District of Columbia? Is not the population about at a standstill?

Mr. BRINKMAN. It has not been growing very rapidly in recent years, 2 or 3 per cent a year.

The CHAIRMAN. Are there any reports on it?

Mr. BRINKMAN. There is nothing in the record, but the Census Bureau can give that information.

Mr. RUSH. Percentage of home ownership in the past 10 years increased from 29.6 in 1920 to 37.6 in 1930, or 8 per cent, which shows that there has been quite an appreciable growth.

Senator KING. There was a considerable growth during the war.

Mr. RUSH. 1920 to 1930—this is since the war.

STATEMENT OF ROGER J. WHITEFORD—Resumed

Mr. WHITEFORD. There is one other suggestion, speaking of vacant houses. There was a builder in my office within the last two weeks, and he has three of them that he has built to sell and can not sell, has not been able to sell them, so sooner or later they will have to find a rental market. There are a number of builders that have houses of that character.

I want to make a short comparison and then I have said all that I think I might appropriately say respecting this situation.

Mr. Brinkman required of a large number of real estate brokers statements as to the manner in which apartment houses were being operated, their income, their gross expenditure, and quite a lot of data he called for on a questionnaire.

Mr. Brinkman complained very bitterly a number of times in the early part of these hearings that he was not getting it, but finally he got it. Now he got, presumably, reports on 100 or 200 buildings. The real estate men, through Mr. Lusk, went out and made a survey, and he has the benefit of those figures. We have prepared here an analysis of that survey to show what the condition of rental property is, so far as income is concerned, and it is based on a pretty substantial cross-section of the property here.

I wonder what has happened to Mr. Brinkman's report? We got from Mr. Brinkman no analysis of his survey. We do not know what those figures would prove. All that we have gotten from Mr. Brinkman are a few isolated instances where he said somebody is making 10 per cent return on a building, and I assume he thinks he ought not to. He ought to be in the red. I protest against the contention that real estate ought to operate at a loss in the District of Columbia or any other place. We have enough businesses in the red. We do not want to put the real-estate business in the same position as the farms scattered throughout the country, that some property can be operated at a profit, and no unreasonable profit has been shown, so far as I can see.

Mr. Richards made the statement here, and he is the assessor, when he appeared before this committee, that from his experience a man was lucky if over a period of years he could make 5 per cent out of an apartment house property. That is his estimate and it is one piece of testimony he gave here that seems to me to have the most important in this rental situation as to whether rents are too high.

Mr. Brinkman gave us no analysis of his figures. He picked out the Victoria Apartment house and said it was an old, old building, that was renting for more to-day than it did when it was built. Of course, Mr. Brinkman either did not know, or if he did, did not state it, that the Victoria Apartment a few years ago was completely gutted out by a fire. It was all rebuilt and modernized, made into practically a new building, and therefore it commands a proper place in rental properties. It justifies the income it is producing, but when you take isolated instances and try to develop a principle from them, that is the trouble you get into.

One swallow does not make a summer, and particularly when he picks the Victoria Apartment.

I could go through various apartments he mentioned, and there is something about them all to detract from his contention, but that would be tiresome and tedious.

Mr. BRINKMAN. I wish you would name some others.

Mr. WHITEFORD. You mentioned a building, the one on Wyoming Avenue, the Altamont. You complained of that building. Joe Tumulty owns that building, and he would give it to the holder of the first mortgage.

Mr. BRINKMAN. Because it is largely empty.

Mr. WHITEFORD. He can not make it go. He can not make it operate at a profit.

The CHAIRMAN. Why is it in that condition?

Mr. WHITEFORD. There is not a demand for that character of building. You can not rent them. He has got a lot of vacancies, and that building is a very high-class building, probably the finest piece of construction in Washington. It is a very fine apartment house. The apartments are large. They are expensive. When you have one vacancy in that kind of an apartment it pulls the income down hard. If you have 1 or 2 rooms and bath, apartments like those, and have a few vacancies, it does not hurt so much, but when you have 10 and 12 rooms in an apartment and have a vacancy, you depreciate your income substantially.

It was commented by Mr. Brinkman, in respect to the Altamont, that he was getting an income of 3 or 4 per cent, with what Mr. Brinkman complained of—there was a 5 per cent commission taken out by the broker who collected the rent, and Mr. Brinkman mentioned the payment of the broker's commission and the payment of interest a number of times. Those things have to be paid.

Mr. Brinkman complains that we have taken out depreciation. If you do not take it out, you are sunk. Operating apartment houses is a business. When you take an apartment house of the type that we have been discussing, there is about a million or half a million dollars invested, and a million dollars capital is a pretty substantial, respectable business. It takes a man to run it. You can not run it by a wave of the hand, and when Mr. Brinkman says 5 per cent is too much, the fact is the brokers do not want them at any lesser rate than that. It is not too much for service properly rendered, and I do not think Mr. Brinkman's experience justifies any such comment, particularly when he makes this recommendation, and I submit it as Exhibit A. This ought to be B. When he speaks of a $200,000 first trust on a gross rent of $33,000. I submit that as Exhibit A. That was the illustration he used about a week ago, and no one who knows anything about the real-estate business would make any such illustration.

I submit as Exhibit B a complaint he puts in his report that the real-estate brokers here have a ring, and they will not let more than one broker handle apartments in the same building.

Think of the real-estate industry being complained of by somebody who makes a criticism of that character. Where does that take you? I have a building with 50 apartments in it or 100, and it is inconceivable that any reasonable man would say that I ought to have five real-estate brokers renting apartments in that building. I submit that as Exhibit B, alongside the one we had last week.

How far is a man's judgment to be credited when he makes criticisms of that kind, when he recommends that a man shall have more than one broker managing his building. His mother probably would have told him the old saying that too many cooks spoil the broth, and I wish he would go back and learn that principle and apply it here. The idea of urging before this committee or any intelligent human being that I ought to have four or five real-estate brokers renting apartments in my building, and let his recommendation carry weight on any other subject.

I say Mr. Brinkman's very report, the recommendations of that sort, show his bias or his unwillingness to be reasonable about this situation.

Mr. Brinkman started out with a biased attitude by waving an envelope and said he would prove a conspiracy, that he had it in the envelope. That envelope never has been opened yet, and he gets a questionnaire and gets those reports and does not analyze them and give us the fruit of his investigation. I do not want his opinions. I want facts.

Senator KING. Have you copies of those questionnaires, those that were returned to Mr. Brinkman?

Mr. WHITEFORD. No, sir.

Senator KING. Speaking for myself, I should be very glad if Mr. Brinkman has them, and if he has not analyzed them and given us the conclusions that are to be legitimately drawn, factual conclusions, I might say I would be very glad to have Mr. Brinkman turn them over to Mr. Lusk and have him analyze them.

Mr. WHITEFORD. I point out that difference, because Mr. Brinkman has said repeatedly here that the survey that we have made is not to be credited, is not to be trusted. I say to this committee that we have done the best we could. Mr. Lusk was employed to do this work, and he was not given instructions as to what the report should be, or as to what buildings it should cover. He was told to get the information and bring it here, and he did it, and we have done the best we could do within the time and the money we had to spend.

I say the report is an intelligent survey, and it does demonstrate, it seems to me, beyond reason, that the real-estate industry is not overcharging the public, that there are problems in it that have to be solved, that time will solve them. It is going to take time, and I can see no difference between the real-estate industry in the District of Columbia and the industry over the country generally. The condition that we face here is part of the economic situation of the world. It is not just applicable to the District of Columbia, and it can not be remedied by pulling ourselves up by our legislative bootstraps. We can not do it that way. We have to work it out, and time will solve it.

Since we have been meeting recently in these hearings we have made some effort to get from the offices the reductions that have been going on, since October 1, trying to get it covered by the time we have a meeting, which we intended to have to-night, but that record from the offices shows since October 1 rents are being reduced by the various offices. They are taking the matter up with their owners in order to meet the situation to accommodate the housing, to fill up the vacancies.

Rents are being reduced and reduced substantially since October 1. Mr. Lusk has a lot of information on that.

We oppose rent legislation in the District of Columbia. We do not think it is necessary. We do not think the Government ought to start into the situation again. We believe it will work out in time, that it is being worked out every day. The attitude of the brokers I think you can glean from the testimony which has been given here. These men are not criminals, not dishonest. They are business men in this community, trying to do their share for the poor, for whom they have just as much feeling and regard as Mr. Brinkman, but whether people are poor or not, it is not reasonable to expect they shall be housed at the expense of a man who has a house.

Much of the testimony that has been offered here might well have been given before a committee which was being asked to appropriate money for welfare work to take care of he poor. I do not deny that there are hundreds of people, perhaps thousands of them, that have not money enough to pay rent, but they should not be housed at my expense if I have a building on which I am entitled to a fair rate of return.

Eventually these people will find employment, and in the meantime values are settling down, and if I hold onto my building at all, my rents will be down. You can not touch this one place without touching it at another. The man that owns the property has to pay his interest.

Mr. Brinkman wants to run the insurance companies and tell them to cut their rates. His report takes in too much territory, both in respect to the indictment under the Sherman law and the things he would regulate.

I want to protest against his report. I made the statement the other day that Mr. Brinkman recommends the money, part of the money in the retirement fund of Government clerks, should be used to put into loans in the real-estate business.

Senator KING. I am opposed to that. I think that would be a very unjust thing. The Federal Government has no business going into the building of apartments.

Mr. WHITEFORD. Or to take a fund that has been set aside by the Government, for that purpose. That fund is earmarked and has no business being invested in that, we think.

One more thing. Mr. Brinkman complained about this chart, trying to show that 20 per cent of the taxpayer's dollar goes into the landlord's pocket. He eliminates the commission that is paid the broker. The broker is a necessary man, or at least a lot of owners think he is, and he is entitled to be paid, and you can not eliminate that. He then wants to eliminate the depreciation item, and whether you charge it or not, old man depreciation works night and day, and you wake up and find the building has depreciated, and certainly 2½ per cent is as modest as could be expected to be taken

out of your income. Mr. Brinkman says they put it in their pockets. Where are they going to put it?

Mr. Brinkman made the statement that property values generally in the District were all increasing. How about the ground value? We are not depreciating the ground. We would not attempt to take 2½ per cent of the ground value. We know a little about calculation and figures. We did depreciate the building, and no man can say but what the building does depreciate.

An automobile that runs around the block is worth 10 per cent less than before you ran it around the block, and if you did not take depreciation out of the building you have lost it, and we are entitled to take it out.

We say when a survey shows that—assuming a mortgage on the real estate to the extent of 60 per cent of the assessed value, which is a fair assumption and eliminates all argument—when you assume that you pay 6 per cent interest on that mortgage, that the property owner has less than 3 per cent return on the equity left in it, that it can not be complained that he is getting an exorbitant profit. and that is what our survey shows, 2.3 per cent, that that other 40 per cent of the assessed value brings.

Senator KING. He does not get two and a fraction per cent upon the entire value?

Mr. WHITEFORD. On the equity between the assumed mortgage and the value fixed by the assessor. We took the assessment because we did not think anybody could complain about that as being too low or not being fair, but Mr. Brinkman complains about it. I have tried to get him to say he believed the assessment was too high or too low, and I have not been able to get him to commit himself on it.

We took the only standard available for us and not raise a dispute, because if we had taken what a man paid it would be said that he paid too much or too little. We took the assessment because we thought we were taking a value which any disinterested person would take, and we have computed it on that basis, and the owner to-day is getting less than a savings bank return rate on that equity. And that survey, I submit, has not been impeached by Mr. Brinkman, and can only be complained of by him, and not disputed, because he has not made a similar survey, and he has not used the figures out of which it could be made.

Senator KING. Is there anything in the record to show the life of an apartment house before you make radical and important and material repairs, in order to bring it to reasonably modern condition?

Mr. WHITEFORD. No, sir; there is not much that you can say is in the record from that standpoint, but I think a few weeks ago I did make this statement in the record, and which I want to make again, because you will recall that this situation has happened within the last few years.

The thing that made obsolete many apartments was the introduction of the Frigidaire. It became necessary for all apartment house owners to put in the portable refrigerating machines, the single units in the various apartments, at tremendous expense. We have in our survey certain places where rents were increased, in a few instances, and the explanation of the increase is the installation of the Frigidaire, or of electricity in one of the buildings.

The introduction of Frigidaire in the new buildings, the freezing unit in the cellar, with branches in the various apartments—that is a more economical way to put it in, but when the new apartments began to do that, immediately the tenants moved out of the old buildings and went into the apartments with Frigidaires.

Here is a thing that will some day make obsolete many of our apartments. Many of our theaters and several of our other buildings have air-conditioning and air-cooling devices. It is not going to be many years before the next fine apartment building we have will be air-conditioned. That, of course, will be a big unit. They do have portable units, and it is going to be well-nigh impossible to take a building to-day, a fine, modern building, and make it compete with these new buildings, because the floors are built out of concrete, and you can not drill through. It would be a tremendous job, and the industry, so to speak, the apartment industry is changing all the time, and I do not think 2½ per cent depreciation is at all adequate. It seems that 40 years is too long. We have buildings that have been here more than 40 years. They will stand and some will still rent at a modest amount, but the large investments are going to be affected by improvements in that character of construction.

I think that covers all the comment that I have to make in answer to Mr. Brinkman's contentions that he has made, that we feel ought to be answered, and we very much appreciate the courtesy of the committee in permitting us to present our side of it.

Senator KING. Have you anything further?

FURTHER STATEMENT OF O. H. BRINKMAN

Mr. BRINKMAN. I would like about five minutes.

I will not attempt to refute all the misstatements Mr. Whiteford has made, because it would take me two or three days to do that. I think the record is a good record and speaks for itself.

I would like to make this suggestion: Mr. Whiteford opposes a rent commission, and at the same time he says apartment properties here are not earning more than around 2.3 per cent, or something like that. It would seem to me that owners would want a rent commission, because under those conditions the rent commission, if that statement is true, would raise the rents rather than reduce them. So why not have a rent commission and get more money for the properties?

Mr. WHITEFORD. Could a rent commission create a few more tenants?

Mr. BRINKMAN. No; but it can raise the rents of the tenants. They have got to occupy those places, and I do not follow Mr. Whiteford's logic on that.

Mr. WHITEFORD. I do not expect you to.

Mr. BRINKMAN. Mr. Whiteford opposes the use of the Government retirement fund for loans, yet the insurance companies that are collecting insurance premiums are using those funds for loans on apartment houses. I can see no logical reason for opposing the one when you allow the other. The fact is, and Senator Copeland

pointed it out, and Senator Capper also, that many apartment houses are shown by the Real Estate Board's own figures as earning 10 and 12 per cent, and even more, on the assessed value. We have developed by the testimony that assessed value is in excess of the real value, the reproduction value of those properties to-day.

It is as plain as A B C that many of those apartment houses are earning as much as 15 per cent, and as I have said a number of times, and as the members of this committee have said, there is not any other business to-day that is probably making any such profit as that.

Mr. Whiteford very cleverly evaded two or three very essential points. He wants to know in the first place why I have not given to the committee the whole result of the survey we made. The fact of the matter is it was not possible to make a complete survey because the leading real-estate agents of the city refused to give the information we needed.

Mr. Rust's firm, represented by Mr. Bowie, did not make any return, any answers to our questions, until we brought them down here twice by subpœna and in effect threatened them with jail if they did not give us the answers.

Mr. Saul's firm delayed for months. I want to say in justice to the Saul firm, though, that their answers were more complete and furnished at an earlier date than Rust's and Hagner's. We had to call down Hagner on subpœna while you were absent, Senator, and finally, after we made it clear if they did not give the information they would face contempt proceedings—finally they furnished us at a late date with copies of the answers they had given to the Real Estate Board. So that with those three leading operators, controlling thousands of apartments, probably eight or ten thousand apartments and houses throughout the District, of the very highest-class apartments and houses, unwilling to furnish the information we needed, even the sketchy information we asked at first; it was impossible to make the survey I wanted to make in the length of time available.

We relied more or less on a sampling method, as Mr. Lusk described his own survey, from replies to the questionnaires we sent out, and we found in some cases some apartment properties were not making very large profits. They were probably losing propositions. There are losing propositions in the coal and ice business, or any other business, but there are a number of apartment properties which are paying enormous, extortionate returns, in view of the situation of the people generally. That is brought out by Mr. Lusk's figures for the Real Estate Board.

You will find, if you take Mr. Lusk's figures at their face value, he shows a net return to the real-estate owner of nearly 5 per cent, not quite 5 per cent. In addition to that they have deducted depreciation, that amounts to about 2 per cent. But they are not setting up a real depreciation fund. They are using that money as they go along. That makes 7 per cent they are putting into their pockets, and they are using as a basis for figuring that 7 per cent the assessed value. But we found that assessed value, by the admission of the assessor himself, is considerably in excess of the real value of those properties to-day. They are not worth it. Properties are being assessed at 55 cents a cubic foot when they can be constructed for from 30 to 35 cents per cubic foot.

Mr. WHITEFORD. Mr. Richards did not admit that.

Mr. BRINKMAN. He was here, and he said the probable cost of constructing these apartments would be 30 to 35 cents, and I pointed out instances where they were being assessed at 45 cents and more. The value of these apartments would be brought down one-fourth at least, if you took into consideration the cost of reproduction. When you do that you find your return on the bulk of apartments reported on by Mr. Lusk is about 9⅓ per cent, and as I said, in many cases it is greatly in excess of that, 15 per cent in some cases.

So much for that.

Mr. Whiteford professed great concern on the part of the real-estate agents for the poor people of this city, when the records of his own organization show that they called a committee meeting and directed him to go down and urge the judges of the court not to extend leniency to the persons to be evicted, but to throw them out.

Mr. RUSH. That is a misstatement.

Mr. BRINKMAN. They go to the judges in the court and plead with them to enforce the eviction laws stringently, without giving any help at all. That is the official action of the Real Estate Board. It is taken from their own records. That is the measure of consideration the people here have received from the Real Estate Board and its agents.

Mr. Whiteford made reference to a blacklist. The records of the Real Estate Board itself show that there was an attempt to keep track of every tenant in the city, and we have in the record a letter written by a leading member of the Real Estate Board, where a member of the Real Estate Board would not rent an apartment to a tenant of another member who had made a deposit. The evidence is all to that effect. There is nothing to the contrary that there is an agreement among the members of this board, that they would blacklist people and would not rent them apartment properties where they were under lease to others, even where they were out of work and unable to pay their rent or were leaving for other good and legal reasons.

The mere existence of that agreement among these real estate people, which was not in the records of the board, but which was proved, is an indication that there were probably other agreements among them of which we have no record, but which undoubtedly existed.

Mr. Whiteford referred to the vigilance committee and told you how ethical it was. The mere fact was there was a committee delegated to censor the advertising of newspapers, and members appointed to watch each newspaper, to censor that newspaper's advertising, so that no one could advertise their property for sale with the statement "No brokers or agents need apply" is evidence of a bad condition. This board was using its concerted power to terrorize the newspapers here, and when you consider that the real estate board members are among the heaviest advertisers in the city, it can be seen that when they use their concerted power, the newspapers are almost helpless. I am not putting any blame on the newspapers. They are bound to pay attention to an organization of that kind.

Then Mr. Whiteford spoke of the great ethical efforts they have made to prevent the giving of free rent. The fact is by concerted

action they were trying to prevent the landlords and owners from giving a reduction in rent to the people here through the allowance of a certain period during which no rent need be paid. It was not the mere fact they opposed the giving of free rent, but they moved in unison, there was a concerted agreement, an agreement contrary to the principle of the law of this country and England since time began, to use concert of action, concert of agreement, in dealing with people who were in need of necessities, food, shelter and clothing. It has been contrary to law for centuries, and you will find some very strong language in the law books on that by the early judges in England.

Senator KING. Was not that rather for the purpose of determining what would be a fair rental, rather than preventing them from geting free rent, determining what would be a fair rental, as a basis for fixing rents? Was it not for the purpose rather of determining the value of the property as a basis for the computation of a reasonable rental upon it, so that the purchasers of the property might not be deceived?

Mr. BRINKMAN. That is what Mr. Whiteford would have you believe, but if you read the minutes in the Record and the letter I had inserted from the president of the Real Estate Board, you will see the effort really was to prevent rent reduction, that they felt rents were "stabilized" and they should not be reduced by the giving of free rent.

Mr. RUSH. What is the date of that?

Mr. BRINKMAN. It is in the printed record.

Mr. RUSH. Was not that 1929?

Mr. BRINKMAN. It was in 1930, as I recall it. In 1931 I think you will find a letter.

You will remember we found missing certain minutes.

Mr. RUSH. We find nothing missing.

Mr. BRINKMAN. We find minutes absent, then.

Mr. RUSH. We find no record of that, because no meetings were held. You have no right to imply that we have stolen or concealed or destroyed any records. That is in line with your other statement.

Senator KING. I do not care to hear any discussion over that. If you want to supplement the testimony in that matter, just call it to the attention of the chairman and he will give you an opportunity.

Mr. RUSH. We have attempted to do that, but it is constantly brought up this way.

Mr. BRINKMAN. There is one vital point Mr. Whiteford, whether intentionally or unintentionally, failed to mention. He failed to mention the matter of restraint on the solicitation of the renewing of loans, mortgage loans on property. You will find in the printed record of this committee minutes of the Real Estate Board and of its committees, binding members to refrain from soliciting the renewal of mortgage loans, not to send any letters, not to solicit the placing of that loan business at all, for the very small home owner, or anyone having a loan under $25,000. They restrained themselves from soliciting that business, and agreed, in fact, and it is a matter of record, to do away with any competition for that business, to leave that man at the mercy of the loan agent who made him the loan in the first place. It was a direct restraint of trade.

Mr. Whiteford failed to refer to that in any way, and yet it is a matter of record from the Real Estate Board's own records that that was done. That is contrary to the law that has been read into the record, and contrary to the decision of the United States Supreme Court in the Atlantic Cleaners and Dyers case.

That was a case that I mentioned, Senator King, that occurred in the District. A little group of men who had plants to clean and dye clothes, agreed that they would charge so much for cleaning and dying those clothes, and they would divide the tailors of the city among themselves. The Supreme Court of the United States held that those men in agreeing on that, involving service charges of 75 cents, or so, were violating the antitrust law, and yet here are men dealing in $25,000, $10,000, $100,000, loans, and they agree they will not solicit that business, will not compete for it, will make certain charges for that business.

They will charge the people certain commissions, and if members fail to abide by those commissions they will be thrown out of the organization.

You can look in the Baltimore Real Estate Board's constitution and by-laws and you will not find anything of that kind, or in the others mentioned here to-day, Salt Lake City and Topeka.

Mr. RUSH. Those are merely extracts.

Mr. KING. If what Mr. Brinkman says is true, it seems to me there is ground for his contention that that is violating, if not the letter, certainly the spirit, of the antitrust law, if the various brokers agree among themselves to restrain or impose obstacles in the way of obtaining loans.

Mr. WHITEFORD. So far as my inquiry about that situation developed, I get these facts. There were a lot of instances where 3 or 4 or 5 solicitors of loans would be running to people's houses. They would be there at all hours of the day and night, and there had been a lot of complaints about that.

Mr. BRINKMAN. From whom?

Mr. WHITEFORD. From the borrower. Complaints came in.

Mr. BRINKMAN. Show us one.

Mr. WHITEFORD. The salesmen knew the loan was due. They were harassed over the telephone and there was a lot of competition in that character of loans which was not competition at all.

There is a point at which it does not pay a man to pay off his loan and get a new one rather than renew the old one, because he has got to pay off the old one and has to have his title examined again, and have all the service charges in connection with the new loan. A lot of people were induced to take a loan from me, who already had a loan with you, for instance, and I would say, "I will make you a loan at 5½ per cent, where you are paying 6 per cent," where, as a matter of fact, when you finished with the expense of title and all your other expenses, you would have been better off to have paid a renewal commission.

There were a lot of people that lost money by reason of that improvident kind of solicitation of loans, and that is the kind of thing they were trying to stop. That is not fair to the people. They think they are going to be better off. They were worse off than if they let the loan continue.

Mr. BRINKMAN. I would like to see some of those complaints.

Senator KING. I remember, years ago, I had a couple of policies, life insurance policies, and I had 20 agents around trying to convince me those policies were not to my advantage, that they would write me a better policy. I was advised with reference to one policy to surrender it and take another, which I subsequently learned to my sorrow was far less advantageous than the one I surrendered. Of course, that was very reprehensible on the part of the insurance agent, and I do not know how far that was violative of the law. Certainly it was not good ethics, and I think insurance companies would have been glad to have stopped their agents from pursuing a course of that character.

Mr. BRINKMAN. The effect of this agreement was there was no more competition for the renewal of those loans, and that, in addition, these people, as shown by the records of the board, these loan agents agreed among themselves upon minimum commissions to be charged for the renewal of those loans, and the placing of loans. If they failed to make those charges they were subject to expulsion from the board, and that is a violation of the Federal antitrust law. There can be no question about it, if you read the law and the decisions of the courts. Nothing can be cited to the contrary. I have cited several decisions, including the latest decision of the Supreme Court of the United States.

In addition, these agents, and members of the Washington Real Estate Board, held meetings and agreed—and the minutes are in our hearings—that they would charge 5 per cent, $5 for every $100 collected from tenants, as rent commission. And the records show, and they are printed also, that previous to that many agents in many cases collected those rents at 3 per cent. This agreement put an additional burden on the apartment owner, and put it ultimately on the renter. When he paid $100 rent, the agent got $5 instead of $3. It was a violation of the law, and it ought to be reported to the Attorney General, just as the resolution contemplates.

Senotor KING. You mean they agreed to charge 5 per cent?

Mr. BRINKMAN. Instead of 3 per cent.

Mr. WHITEFORD. It would be just as wrong——

Mr. BRINKMAN. It would be just as wrong to agree to charge 1 per cent. You can not agree to charge, in combination, any price for a service.

Senator KING. What about the insurance companies?

Mr. BRINKMAN. That is based on a different principle. In the first place, there are many insurance companies which are mutual, and in the second place they do not agree—I am speaking of life insurance—what rates shall be charged.

As to fire-insurance companies, I would say they are violating the law if they agree upon a schedule.

Mr. WHITEFORD. How about the American Institute of Architects?

Mr. BRINKMAN. They are rendering a professional service, and possibly may not come under the law, but the real-estate business has never been regarded as a profession by any court.

Mr. WHITEFORD. That is unprofessional.

Mr. BRINKMAN. It is a branch of trade or commerce.

Then we have in the record, and I will mention it now, specific minutes covering meetings of these agents—controlling practically

half or more of the apartments and houses in the city—they have agreed among themselves that no rent reductions were necessary or advisable, that no considerable repairs should be made to apartments, and there should be no giving of free rent. They came to that conclusion after meeting at a little luncheon conference.

We find the president of the board sending out a letter urging the members not to give free rent, and saying conditions did not justify it.

Senator KING. Is there anything in the record showing the course of procedure by those not members of the Real Estate Board but who are real-estate agents?

Mr. BRINKMAN. No; we have nothing in the record.

Senator KING. What did they do as to the fixing of rents and charging commissions?

Mr. BRINKMAN. I do not know.

Mr. RUSH. Did you make any investigations?

Mr. BRINKMAN. No; the majority of the desirable properties are controlled by members of the Washington Real Estate Board.

Senator KING. I was wondering what percentage of the buildings that are rented, and the rents collected, are rented by and collected by members of the Real Estate Board, and what proportion by that large number, triple, as I recall, who are not members of the Real Estate Board.

Mr. BRINKMAN. We have a table in the record showing 23 organizations or firms, most of whom are members of the Real Estate Board, control about one half of the apartments.

Senator KING. Then it would be substantially one half of the rented properties controlled by brokers not members of the Real Estate Board?

Mr. BRINKMAN. Yes; but it is hard to say definitely.

Senator KING. I was wondering what their practices were, so far as you were able to discover, whether they could come under any of the condemnations which you have suggested with respect to the members of the Real Estate Board.

Mr. BRINKMAN. Not unless they agreed among themselves. If they made an agreement in restraint of trade. It is not necessary in court to prove the agreement had any bad effect. It is simply necessary to prove there has been an agreement in restraint of trade, the effect of which is to restrain trade.

Senator KING. I was referring more particularly to the amount they charged as commission, and their activities in the matter of soliciting loans, and so on.

Mr. BRINKMAN. The loan funds were almost entirely in the hands of members of the Real Estate Board. We find, for instance, in the Real Estate Board six very large banks and building and loan associations, two of the largest, I think, and the loan agents of the large insurance companies, which are the principal sources of funds for mortgage loans. So in that group was the concentrated power of lending money and refusing to lend any.

The resolution contemplated that the committee shall send to the Department of Justice any evidence that may be gathered which tended to show a violation of the law. Ultimately the courts should pass on the question of whether there has been a violation of law. If

these men have not violated the law, they should not object to trying the matter out. If they have violated the law, of course they should be sent to prison. I can not conceive of anything more injurious to the public than to restrain competition in the matter of shelter, unless it be in the supplying of food or clothing; but it seems to me shelter is more vital than even that, and from the earliest time such restraints have been illegal.

As to the matter of what the agent does for the commission that he receives, it is quite true in the case of a construction loan he renders a substantial service; but as admitted by the real-estate agents themselves, there is not any building of any amount going on, it is now simply a matter of collecting rent and managing the properties. For that they receive $5 out of $100 collected from the tenant, although previously many of them collected 3 per cent or $3.

The bulk of the service they render is simply in maintaining an office where a tenant sends the check each month for his rent. Where the building is occupied fully, such as the building I live in, and the people are fairly decent people, each month they sit down and send their check for $50 or $100. The agent receives that check and keeps out $5 and sends the balance to the owner.

On the premises are a resident manager, a janitor, and sometimes two or three. They look after repairs, and the agent receives the money and keeps part for himself and remits part to the owner. In the meantime an apartment is being given or payments made to the resident manager, and they have a janitor there to look after repairs and things of that sort. In many cases there can not be any question but what the charge for the agency service is excessive, and they are allowed to charge that simply because there is an agreement among the agents that they shall collect that amount.

When it comes to the renewal of a loan, the commission charge is excessive in many cases. A man who owns a large apartment stated to me that he recently renewed a loan of $200,000 and paid a commission of about $3,000 for the renewal of that loan, that the only service performed by the agent was to inspect the building and to arrange with the insurance company for the renewal of the loan, and the cutting down of the amount of principal by a curtail. The owner was required to pay a certain amount, and so for what could not have amounted to a service of more than a day or two the owner had to pay $3,000.

Senator KING. Did part of that money go to the insurance company making the loan?

Mr. BRINKMAN. I do not know. I assume it did not.

Senator KING. I was wondering whether it was paid to the agent or to the insurance company.

Mr. BRINKMAN. It is paid to the agent.

Senator KING. It was wondering whether he paid any part to the insurance company, whether they split the amount.

Mr. BRINKMAN. I have been told, and I would not want to vouch for it, that there is one bank here that has an arrangement whereby it acts as agent for a Philadelphia insurance company. It makes loans of the insurance company's money and retains the commission for itself. Its lawyers make an additional charge themselves of 1½ per cent, and my informant says he thinks some of the money the lawyer gets probably goes as additional compensation to the bank. I will be glad to give you the name of the company, if you desire it.

Mr. Whiteford referred to the fact that the Rust Co. and the Saul Co. rendered service in the collection of interest, and if the interest was not paid they advanced that out of their own pocket. I want to say now that is one of the reasons so many people have suffered huge losses. That was done in New York, for instance, by the Straus Co., and here by the F. H. Smith Co. When a building was not able to pay charges, the sponsor of the notes or mortgages would not admit that fact to the client, but took the money from some other source, borrowing from Peter to pay Paul, and eventually those companies went to the wall, 20 or 30 mortgage companies that followed that practice. In the first place it is a dishonest practice to pay interest and to leave a note holder in the belief he is receiving interest from that property when, as a matter of fact, there has been a default; and it leads to ruin. We had that in Washington in the cases of Schwartzel, Rheem & Hensey, and the F. H. Smith Co., who followed that practice; and they both advertised up to the day they closed their doors there had been no loss to investors in many years; and yet Saul and Rust companies do that same thing, and we are told it is a fine thing. It is a bad thing, and it ought to be prevented, and in New York State it has been prevented.

Before I close I would like to ask Mr. Bowie whether he has the subordinated notes on Clifton Terrace.

Mr. BOWIE. I said I would give it to Senator Capper.

Mr. BRINKMAN. Senator King is here.

Senator KING. Is there any controversy about it?

Mr. BRINKMAN. Mr. Bowie did not seem to want to give them to me for inspection.

Mr. BOWIE. Mr. Brinkman did not.

Mr. BRINKMAN. I am just a curious person who wants to put his nose in other people's business.

Senator KING. Do you want to see it?

Mr. BRINKMAN. Yes; please.

Mr. BOWIE. See if you can find it.

Mr. BRINKMAN. These are notes, Senator, that were issued upon the Clifton Terrace Apartments at Fourteenth and Clifton Streets NW.

On the face of these it says "Secured by deed of trust 105." I suppose that is the number of the note. It is 109 in square 2868, Washington Loan & Trust Co., trustee, and those notes are signed by Harry Wardman and Thomas Bones. The notes are apparently secured by deed of trust on the certain property, as I have read. On the back of the notes we find certain indorsements, including one by the New York Life Insurance Co. That New York Life Insurance Co. indorsement is followed by this rubber-stamp statement:

> For value received, New York Life Insurance Co. hereby assigns, without recourse, the within note to Harry Rust, upon the expressed condition that all rights of the assignee thereunder shall be junior and subordinate to the rights of the assignor in and to any and all principal and interest notes held by said assignor, and in the deed of trust securing the same, according to the terms and conditions of a certain share ownership agreement signed between the assignor and assignee dated February 19, 1925.
>
> THE NEW YORK LIFE INSURANCE CO.
> (By its Secretary).

In other words, the ordinary person buying these would assume that they were first-trust notes.

Mr. BOWIE. That is not true.

Mr. BRINKMAN. There came to me a number of people who bought similar notes, and they were told they were buying first-trust notes. As a matter of fact, that is in realty what amounts to a second-trust note. They were subordinate to the lien of certain other notes covered by the same deed of trust. Mr. Bowie admitted this, that when this property was sold at foreclosure the New York Life Insurance Co. bought it for $750,000, the amount of its loan, and these subordinated notes were wiped out, the security was wiped out, and Mr. Bowie admitted there is no security now back of these notes except the agreement of his own company to do something about them.

Mr. BOWIE. I did not admit it. I told the committee about it.

Mr. BRINKMAN. I want to give this word of praise to the Real Estate Board. They have condemned that practice. I do not know if it is still being followed or not. It is a bad practice.

I am returning the notes to Mr. Bowie.

(Mr. Brinkman handed papers to Mr. Bowie.)

Mr. BOWIE. You did not say the amount.

Mr. BRINKMAN. I am not interested in the amount.

Mr. BOWIE. I might have misstated that.

Mr. BRINKMAN. You said $100,000 all together.

Mr. BOWIE. I think you should know whether there are $100,000 worth of notes.

Senator KING. I am not interested in that.

Mr. BRINKMAN. I think the record furnishes ample ground for this committee to take action to help the people of this city keep their living costs at a reasonable amount.

Senator KING. Mr. Bowie, do you want to make an observation?

Mr. BOWIE. Yes.

Senator KING. You make it now.

FURTHER STATEMENT OF J. F. M. BOWIE

Mr. BOWIE. Mr. Brinkman read from the rules of the board that the salaries of the resident managers and special advertising should be paid for by the owner. He probably did not know what it all meant.

Mr. BRINKMAN. "For all display and special classified advertisements and booklets the owner of the apartment shall pay."

Mr. BOWIE. I heard it the first time.

Mr. BRINKMAN. You did not state it as I read it.

Mr. BOWIE. Special advertising means display advertising. It means something special. We have a list, Senator, that long [indicating], that goes in the newspapers once a week and sometimes more frequently. That is ordinary advertising. When we put in a display advertisement, that is special advertising, and that is what that rule means.

Senator KING. Was that all?

Mr. BOWIE. I had one or two others.

Mr. Brinkman has made much of the matter of free rent. I think I can speak about it with some authority, because I think I wrote the letter. The letter was written, and the members of the board——

Mr. BRINKMAN. You did not write the letter.

Mr. BOWIE. I may not have. I was on the board at that time.

The Real Estate Board had numerous complaints from purchasers of apartment houses back in the days when apartment houses could be sold, that they would buy them on a certain schedule of rents. When they paid the money for them and the leases expired they were, of course, met with a demand from the tenant for a similar reduction, so they find that they have bought their apartment house upon a different schedule than that represented to them by the man who sold it. The Real Estate Board thinks that practice is reprehensible, and that was the purpose of the letter that Mr. Brinkman is attempting so greatly to distort.

As to Mr. Brinkman's reference to the H. L. Rust Co. and the Saul Co., and their methods of doing business, and comparing us to the F. H. Smith Co. and a few of the others that are in jail at the present time, I think that is an insult.

This question of interest absolutely shows how little he knows about the subject that he is talking about. Mr. Rust stated to me the other day that in addition to all the other services performed by us, in connection with these loans, that in his experience of 43 years there never has been a single case where a purchaser had bought a note from our organization that he could not come in, surrender the note, and get his money. He can still do that to-day.

With respect to the services that these real-estate boards render throughout the country, Senator, you might take this as an illustration: There was a lady here that we represented that owned a piece of property in Jersey City. She wanted to sell it. We, in cooperation with a broker in Jersey City, came to terms for sale. I went to Jersey City with this lady to sign the contract, and we were in the office of the broker who was handling the New Jersey end of the deal. It came to a question of commission, and he wanted to insert in the contract that the commission would be at a certain rate. I protested. In lieu of that rate I had them insert the rate of commission approved by the Jersey City Real Estate Board. I later found out that that rate was considerably less than the broker wanted to charge.

I might say, Senator, with respect to Mr. Brinkman's whole testimony and evidence that he has rendered here, I see just a trace of what he did with respect to the Rust Co. answers that he sent out. He wanted to show that the Rust Co. had reduced their rents only 6 and a fraction per cent. Now the most convenient way for him to reach that answer was to take out some of the buildings. That he admitted. Then when he wanted to show we had a 20 per cent vacancy, he put them all back again. That is the way he hand-picked this whole investigation.

I would like to say to you, Senator, that if this committee sees fit to send this to the Department of Justice, this so-called evidence that Mr. Brinkman has, we will be very glad to have you do it. We have absolutely no concern about the outcome, for the Department of Justice has been through the files and records already of the Wash-

ington Real Estate Board, more completely than Mr. Brinkman has, for they spent several weeks there. They found nothing, absolutely nothing that was out of order. That was the investigation that Mr. Brinkman termed was a whitewash. Now I think if it goes to the Department of Justice again Mr. Brinkman will call it another whitewash.

Mr. BRINKMAN. I certainly will, if they refuse to prosecute.

(Whereupon, at 1.30 o'clock p. m., the hearing was adjourned subject to the call of the chairman.)

(The following document was subsequently submitted for inclusion in the record.)

A STUDY OF THE RENTAL SITUATION IN A SELECTED SECTION OF THE DISTRICT OF COLUMBIA

(Submitted by the Tenants' League)

The following information on housing conditions in a low-rent area of the District of Columbia has been gathered and compiled by a group of investigators interested in social conditions and specifically in the organization, the Tenants' League, sponsored by the Socialist Party in the District of Columbia. For purposes of this survey a section was selected which it was felt would be representative of homes of the poorer working class. The area selected ran from North Capitol to Fifth Streets NW. and from F to K Streets NW.

A fair sampling was made of the homes in this area. Residents of 160 homes were interviewed. They included two solid blocks, one largely composed of white families, the other largely of negroes. In addition, interviews were scattered through the remaining blocks of this section, and the results obtained were substantially the same as those pertaining to the two blocks for which complete surveys were made.

It is felt that this study gives a fair picture, not only of all the residents in this area, but also of all similar areas in the city housing the poorer class. It is planned to continue this canvass and make a complete survey, but in order to present to the Senate committee the available data before the closing of its hearings, it has been necessary to present at this time only this preliminary sampling.

The topics covered by the investigation included number of persons in each family, number of residents in each house, number of rooms per dwelling, the rent now and a year ago, wages now and a year ago, the number of children, the receipt of charity aid, and sanitary conditions.

Generally speaking, the study leads to a number of interesting and important observations. Figures on the level of rentals indicated that there has been little reduction made in the past year or so, in spite of the fact that the wages of the inhabitants have been greatly reduced and that the number of unemployed in relation to the employed is very high. As shown below, the item of rent consumes over 50 per cent of total income, and, further, rents have remained practically stable while there have been serious reductions in income. The investigators discovered that a large percentage of the buildings included in this survey were old, dilapidated, and in such a state of disrepair in many cases as to be almost unfit for human habitation. It may be noted that the number of inhabitants per dwelling or per room is not nearly as high as in the tenements of industrial cities.

The following statistical presentation will illustrate in detail the relationships between rents, income, number of inhabitants per dwelling and per room, ratio of employment, and receipt of charity aid.

It was not possible in all cases to secure complete information. For instance, in some cases in which rent was obtainable this year the amount paid last year was not. In such cases only those instances in which the figures were available for both years were used. Consequently, for some of the computations a slightly lower number of figures than 160 were used.

Relation of rentals paid to wages received

	Year ago	Now	Per cent cases reduced	Per cent reduction
Average rent per dwelling	$34.52	$33.84	23	1.97
Average total wages per dwelling	$94.39	$65.28	63	30.8
Ratio of rent to wages—per cent	36.57	51.84		

Relationship between inhabitants and dwellings

Average number:	
In family	4.03
Inhabitants per dwelling	6.01
Average number of—	
Employed per dwelling	1.24
Unemployed per dwelling	1.87
Rooms	6.18
Persons per room	1.03

Standard of living

Average total wage per dwelling	per month	$65.28
Average wage per inhabitant	do	10.86
Average rent per inhabitant	do	5.63
Per cent of dwellings receiving charity aid	per cent	19.09

CONCLUSIONS

As has been suggested in the introduction, the following points stand out from an analysis of the above figures:

1. The average rent per dwelling is only 1.97 per cent lower than a year ago, although it had been reduced in nearly a fourth of the cases under study.
2. The average total wages per dwelling are nearly a third lower than they were a year ago, and they have been reduced in nearly two-thirds of the cases.
3. Rent now consumes over half of the total wages in each dwelling, whereas a year ago it consumed only about a third of wages.
4. The above points indicate that rent, always a severe burden upon the incomes of the lower-wage groups, has become an even more severe one, because it has remained relatively stable during the depression, while wages have been cut to a considerable extent.
5. The average number of unemployed per dwelling is nearly half again as large as the average number employed.
6. Whereas the average number of persons in each family is about four, the average number of inhabitants is about six, showing that an effort has been made to make ends meet by doubling up and by taking in roomers.
7. The average number of persons per room is but slightly over one. While this ratio is considerably more favorable than would be found in the tenements of many large industrial cities, it is explainable by the fact that in the District of Columbia large tenement apartments have never been built. Rather the lower-wage groups have moved into dwellings formerly occupied by the upper and middle classes when these dwellings have become so run down as to no longer attract those classes. Moreover, it was often found that the entire family was living in one or two rooms because it was impossible or too expensive to heat the rest of the house. In many other cases an attempt was made to rent the extra rooms which usually were vacant.
8. The average total wage per dwelling is only about $65 per month, and the average wage per person only about $11 per month. When it is considered that over half of this latter figure goes for rent, an extremely low standard of living is indicated.
9. Less than a fifth of the reports indicated that charity aid was being received. Considering the high ratio of unemployed, the very low income left after the payment of rents, it is remarkable that more persons are not

dependent upon charity. It may be that some reluctance to admitting dependence upon charity was encountered by the investigators. Some few may have been able to meet expenses by drawing upon savings or by receiving aid from friends and relatives, which they do not consider charity. However, it is probable that considerable more dependence upon charitable organizations will be found in the future.

10. Moreover, many persons reported that they were one or more months behind in the payment of their rent or were able to make only partial payments on it.

11. Seventeen per cent of the people who reported on this item stated that they had been threatened with eviction at least once while living in their present dwellings.

12. While the above figures present a sorry enough picture of living conditions in the poorer quarters of Washington, they do not by any means tell the entire story. The investigators found that in case after case the persons interviewed were living in dwellings which can scarcely be dignified by the name of hovels. Many houses had very bad and incomplete plumbing, and some no plumbing at all. A number of outhouses were discovered. Many houses had no baths, or even wash bowls. Leaky roofs, warped floors, broken windows, doors which wouldn't close, and other conditions which indicate exposure to the elements were found in a large number of cases. No gas and electricity connections, because of inability to pay for the same, were found in many dwellings. Papering and plastering were frequently in a sad state of repair. Heat was often furnished by latrobe or coal stoves, the fuel supplied by the tenants.

Summing up, it may be said that although these persons pay an extremely low level of rents, they receive less for their money, relatively, than any other class in the community. Conversely, it may safely be said that the owners of the buildings receive proportionately more upon their investment than the owners of property which is rented to people in more favorable circumstances. It may be pointed out that while the section covered was one occupied by the poorer working class, it by no means represents the worst sections of Washington.

Housing, to insure decent living conditions at a price within the capacity of these inhabitants to pay, is a vital social need. The above facts have been submitted in the hope that Congress will not only take appropriate steps to reduce the burden of rents, which has been shown to be practically intolerable in sections housing the lower-wage groups, but that it will also initiate the necessary reconstruction to provide living conditions fit for human beings at a cost within their pocketbooks.

COLUMBIA LODGE NO. 174,
INTERNATIONAL ASSOCIATION OF MACHINISTS,
Hyattsville, Md., January 6, 1933.

Mr. O. H. BRINKMAN,
United States Rent Commission, Washington, D. C.

DEAR SIR: We have received the information inclosed from the questionnaires sent out to the membership of Columbia Lodge No. 174, International Association of Machinists, and hope it will be of some aid to your valuable committee.

Our membership is approximately 1,800, employed in the District of Columbia and vicinity. We submit the following:

Average monthly rent paid by tenant, $45; average apartment of four rooms with modern conveniences averages from 2 to 5 per cent reduction in last year.

Average weekly salary received by renters, $36; 20 per cent purchasing homes.

Average price paid, $8,000; interest, 6 per cent.

Practically all must reduce first trust $250 to $500 on renewals and pay 1 per cent for renewal service.

Average monthly payment, $50.

Average weekly salary received by purchaser, $36.

It is our opinion that an emergency rent commission should be appointed by the District government for the duration of the economy act to protect renters and home purchasers during this depression emergency.

Very truly yours,

WALTER V. HURLEY, *Secretary.*

WASHINGTON REAL ESTATE BOARD,
Washington, D. C., January 7, 1933.

Senator ARTHUR CAPPER,
United States Senate, Washington, D. C.

MY DEAR SENATOR CAPPER: The inclosed resolution, which was adopted by the board of directors this morning, is sent for your consideration.

Respectfully,

CHAS. J. RUSH, *Executive Secretary.*

Be it resolved by the board of directors of the Washington Real Estate Board, That, in recognition of the reduced income of the renting public of the District of Columbia, it recommends to the members of the board that they cooperate with each other and with the owners of rental properties in the District of Columbia to continue their efforts toward the equalization of rents that may apparently be inconsistent with each other and to reduce the rents as far as may be done consistent with the emergency of the times in recognition of the civic obligation that rests upon every citizen in the District of Columbia.

CHAS. J. RUSH, *Executive Secretary.*

JANUARY 7, 1933.

WASHINGTON, D. C., *January 10, 1933.*

SENATE DISTRICT COMMITTEE OF THE DISTRICT OF COLUMBIA.

SIRS: I see my matter pertaining to the foreclosure of mortgage and eviction from my home in November of 1930 has been made a part of the record in the rent investigation. (P. 512.) I find a serious error which Mr. Ring, the secretary, tells me can be corrected in appended notes in the finished record.

I am writing this to have an order from the committee to make the change if it is necessary for the committee to pass on the matter, so as to use the word "hours" instead of "days" in connection with the statement as to the time my personal property remained in the street.

Very respectfully,

GEORGIA M. SPRUILL.

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